European Economic Letters
ISSN 2323-5233
Vol 15, Issue 3 (2025)
http://eelet.org.uk

Geopolitical and Economic Implications of the Russia-Ukraine War on the Indian Economy and BRICS Markets

***Dr Shilpi Chakravarty,**
Associate Professor, Management, Centre for Distance and Online Education, Manipal University Jaipur Email id: shilpi.chakravarty@manipal.edu

Dr Maani Dutt,
Assistant Professor (Senior Scale), Management, Centre for Distance and Online Education, Manipal University Jaipur, Email id: maani.dutt@jaipur.manipal.edu Corresponding Author

Dr Aditi Dadhich
Assistant Professor, Management, Centre for Distance and Online Education Manipal University Jaipur Email id: aditi.dadhich@jaipur.manipal.edu

Abstract
The Russia–Ukraine war has generated profound global economic and geopolitical consequences. While the conflict's immediate theatre is European, its repercussions extend far beyond the region, reshaping trade flows, energy markets, and strategic alignments. Among the BRICS nations—Brazil, Russia, India, China, and South Africa—the war has tested cohesion, exposed financial interdependencies, and accelerated debates about multipolar governance. India has been particularly affected: its reliance on imported energy and Russian defence equipment has created both vulnerabilities and opportunities for strategic recalibration. Drawing on recent empirical studies, policy reports, and institutional data, this paper analyses the conflict's effects on India's trade, inflation, fiscal stability, and defence policy. It argues that India's pragmatic neutrality has mitigated short-term shocks but underscored structural weaknesses in its energy and security architecture. The paper concludes by recommending greater investment in renewable energy, domestic defence innovation, and regional cooperation within BRICS as key pathways to sustainable resilience in an increasingly fragmented world.

Keywords:
BRICS, Geopolitics, Energy Security, Inflation, Strategic Autonomy, India–Russia Relations

1. Introduction: The New Global Fault Line
The Russia–Ukraine war, which erupted in February 2022, has emerged as the most consequential geopolitical crisis of the twenty-first century. While its immediate theatre is confined to Eastern Europe, its strategic reverberations have been global, transforming international relations, trade structures, and the balance of economic power. The invasion disrupted long-standing assumptions about peace and economic interdependence in Europe and reignited debates on the vulnerability of globalisation to political shocks. The sanctions imposed on Russia by the United States, the European Union, and allied powers triggered unprecedented economic decoupling between East and West, creating ripple effects that continue to reshape the global economic architecture (IMF, 2023).

At the core of this disruption lies the weaponisation of economic interdependence. Western sanctions froze Russian foreign-exchange reserves, curtailed its access to the SWIFT banking network, and restricted exports of high-technology goods. In response, Russia deepened its financial and trade partnerships with non-Western economies, especially within the BRICS bloc—Brazil, Russia, India, China, and South Africa. This shift revealed both the fragility of the Western-led order and the growing significance of emerging powers in sustaining global flows of goods, finance, and energy.

For the BRICS nations, the conflict has simultaneously been a **crisis and a catalyst**. As a group that represents over 31 per cent of global GDP and roughly 40 per cent of the world's population, BRICS occupies a pivotal space in the international economy. The war has tested the bloc's ability to coordinate responses to global disruptions, while also accelerating its agenda of reforming global governance. The renewed emphasis on *de-dollarisation*, food and energy security, and South–South technology partnerships marks a gradual but discernible shift toward multipolar economic governance (Nach, 2024).

Russia's transformation—from an energy superpower integrated with Europe into a sanctioned state reliant on Asian markets—has particularly strengthened intra-BRICS linkages. China has emerged as Russia's main trading partner, while India has become a key purchaser of discounted oil and coal. According to Gopal et al. (2025), this new pattern of trade has deepened financial interdependence within BRICS markets, leading to correlated stock-market volatility and increased synchronisation of commodity cycles. While these developments provide short-term economic benefits, they also heighten collective exposure to external shocks and regulatory uncertainty.

India's experience is especially illustrative of the delicate balance between opportunity and vulnerability. As the world's fifth-largest economy and the fastest-growing among the BRICS members, India's strategic dilemma lies in reconciling its long-standing defence and energy partnerships with Russia with its deepening engagement with Western democracies through the G20 and the Quad. The economic consequences of the war for India have been multifaceted—surging crude prices, inflationary pressures, exchange-rate depreciation, and widening trade deficits have strained macroeconomic stability. Yet, India has also seized the opportunity to purchase Russian crude at discounted prices, diversify its suppliers, and enhance its diplomatic profile as a pragmatic, non-aligned power (World Bank, 2023).

More broadly, the conflict underscores the shifting nature of globalisation. Rather than reversing integration entirely, the war has led to what analysts term "selective decoupling" or "re-regionalisation" of trade. Supply chains are being reorganised not purely for efficiency but for strategic resilience. For emerging economies such as India, this evolution presents both challenges—disrupted logistics, higher import costs, and financial volatility—and opportunities to strengthen domestic capacity and regional partnerships.

The purpose of this paper, therefore, is to explore how India and the wider BRICS bloc are adapting to these unprecedented disruptions. By integrating macroeconomic data, institutional analyses, and recent scholarly research, it seeks to provide a policy-oriented assessment of how emerging economies navigate a world defined by geopolitical fragmentation and economic interdependence. The discussion focuses on three interrelated dimensions: the economic shocks transmitted through trade, finance, and energy markets; the strategic recalibration of defence and diplomatic alignments; and the broader implications for South–South cooperation and global economic governance. In doing so, the paper contributes to an understanding of how BRICS nations—especially India—can transform short-term crisis management into long-term structural resilience in an increasingly multipolar world.

2. The War's Economic Shock: Inflation, Energy, and Fiscal Stress

The most visible transmission channel of the war for India has been the surge in global energy prices. Brent crude, which traded at about USD 90 per barrel in January 2022, exceeded USD 130 within weeks of the invasion—a 43 per cent rise. Because India imports roughly 85 per cent of its crude oil and 50 per cent of its gas, the price spike immediately widened the current-account deficit and fuelled inflationary pressure.

According to the International Monetary Fund (2023), every 10 per cent rise in oil prices trims India's GDP growth by 0.2 percentage points and lifts consumer inflation by 0.4 points. Headline inflation averaged 6.7 per cent in 2022–23—above the Reserve Bank of India's target band. The government's decision to absorb part of the shock through excise-tax cuts and targeted subsidies limited public unrest but enlarged the fiscal deficit to 6.4 per cent of GDP.

At the same time, India turned to discounted Russian oil to maintain price stability. By mid-2024, Russian crude accounted for more than 40 per cent of India's oil imports, compared with under 2 per cent before the war. This shift helped contain inflation but invited diplomatic scrutiny from Western partners. As Nach (2024) argues, BRICS economies have used the crisis to deepen intra-bloc trade, but their growing dependence on sanctioned commodities could expose them to secondary sanctions or payment-system disruptions.

From a policy standpoint, India's energy diversification remains partial. The International Energy Agency estimates that India's oil demand will rise from 5 to 7 million barrels per day by 2030, making long-term import dependence unavoidable unless domestic renewable capacity expands substantially. Thus, the crisis underscores the strategic imperative for green-energy transition and enhanced storage infrastructure.

3. Financial Contagion and Market Volatility in BRICS Economies

The war also transmitted shocks through financial channels. Global investors fled to safe assets, weakening emerging-market currencies and tightening liquidity. Between February and May 2022, foreign portfolio investors withdrew nearly USD 18 billion from Indian markets, causing the rupee to depreciate beyond ₹82 per U.S. dollar.

Empirical analysis by Gopal et al. (2025) using panel-GARCH models shows that volatility spillovers among BRICS stock markets intensified sharply after the invasion, with Russian and Chinese indices exerting the greatest contagion effect. In India, benchmark indices lost around 8 per cent in the quarter following the invasion but later recovered as domestic investors offset foreign withdrawals.

India's macroeconomic fundamentals—large foreign-exchange reserves exceeding USD 590 billion and a well-capitalised banking sector—helped prevent systemic crisis. However, the episode exposed how closely BRICS markets are intertwined and how quickly external geopolitical shocks can propagate through risk perceptions.

The New Development Bank and the BRICS Contingent Reserve Arrangement were designed precisely to offer liquidity support during such turbulence. Yet, as Kumar (2024) notes, these mechanisms remain underutilised due to procedural delays and divergent member priorities. Strengthening their operational capacity is essential if BRICS is to evolve from a symbolic grouping into an effective financial stabiliser.

4. Defence Dependency and Strategic Calculations

Beyond economics, the conflict has spotlighted India's longstanding defence reliance on Russia. Since the 1970s, Russia has been India's principal arms supplier. Even today, roughly one-third of India's active military equipment originates from Russian designs.

According to the Stockholm International Peace Research Institute (2024), Russia accounted for 36 per cent of India's arms imports in 2020–24, maintaining its position as India's top supplier despite diversification efforts. Key platforms include the S-400 Triumf air-defence system, T-90 tanks, and Su-30MKI fighter aircraft. These assets underpin India's deterrence posture against both China and Pakistan.

However, sanctions on Russia's defence sector have disrupted supply chains, delayed spare-parts deliveries, and complicated payment settlements. Likhachev (2024) observes that India's dependency has strategic as well as logistical costs, constraining its ability to align fully with Western defence frameworks. Transitioning to self-reliance requires large-scale technology transfer, human-capital investment, and long-term industrial planning.

The government's *Aatmanirbhar Bharat* (Self-Reliant India) initiative marks a crucial step toward indigenisation. The 2023–24 Union Budget allocated ₹5.94 lakh crore (about USD 70 billion) to defence, a 9.5 per cent rise, with 68 per cent of capital procurement reserved for domestic industry. Yet, as defence analysts caution, policy declarations must translate into sustained R&D and export-promotion capacity if India is to reduce dependence on any single partner.

5. BRICS Realignment and Expansion

The Russia–Ukraine war has fundamentally accelerated BRICS' evolution from a loose economic coalition into a politically significant platform. Initially conceived in the early 2000s as a symbol of emerging-market convergence, BRICS—comprising Brazil, Russia, India, China, and South Africa—has become increasingly intertwined with global geopolitical currents. The war's impact has deepened this transformation by both challenging Western economic dominance and prompting member states to reconsider their strategic alignments.

The sanctions imposed on Russia following its invasion of Ukraine created a structural shift in global energy and finance. Excluded from Western capital markets and the SWIFT payment system, Russia turned to its BRICS partners for trade and investment continuity. China and India emerged as its most crucial economic lifelines. Russia's pivot eastward, through discounted oil exports and alternative settlement systems such as the *System for Transfer of Financial Messages (SPFS)* and *Mir* card network, accelerated what analysts term a "de-Westernisation" of trade finance. This shift gave BRICS new relevance as an informal coalition capable of offering limited but growing alternatives to Western institutions (Nach, 2024).

In 2023, the Johannesburg BRICS Summit formally invited six new countries—Saudi Arabia, Iran, the United Arab Emirates, Egypt, Ethiopia, and Argentina—to join the bloc, potentially expanding its reach to over 40 per cent of global population and 28 per cent of global GDP (Kumar, 2024). Although the expansion was framed as a step toward inclusivity and multipolarity, it also introduced greater heterogeneity. The new entrants differ sharply in political systems, economic capacity, and regional interests. For instance, Saudi Arabia and Iran, traditional rivals in the Middle East, bring divergent strategic visions; Argentina's economic instability contrasts with the fiscal prudence of the Gulf states.

These asymmetries present both opportunities and challenges. On one hand, a larger BRICS could strengthen collective bargaining power in international forums such as the IMF, World Bank, and WTO. On the other, it risks diluting policy coherence and creating internal fault lines. The *Carnegie Endowment for International Peace* (2024) notes that BRICS now encompasses democratic, autocratic, and hybrid regimes, making consensus difficult on issues like human rights, climate policy, and conflict resolution. Nonetheless, the bloc's unifying theme—reform of global governance—continues to provide strategic glue.

China and Russia have promoted the narrative of BRICS as a counter-weight to Western alliances, envisioning an expanded bloc that challenges the U.S.-led financial order. By contrast, India and Brazil favour a more pragmatic interpretation: BRICS as a complementary, not confrontational, forum focused on developmental finance and inclusive growth. South Africa, meanwhile, seeks to amplify African voices in global policymaking, positioning itself as a continental bridge.

India's role within this evolving architecture is particularly delicate. It views BRICS through three strategic lenses—economic cooperation, multipolar governance, and geopolitical balancing. Economically, India values BRICS for its potential to diversify trade and attract infrastructure financing through the *New Development Bank (NDB)*. Politically, the bloc offers India a platform to advocate for UN Security Council reform and to promote developing-country concerns on debt, climate, and digital inclusion. Strategically, BRICS helps India maintain autonomy between competing blocs: it allows continued engagement with Russia and China while preserving strong partnerships with the United States, Japan, and Europe through the *Quad* and *G20*.

India's digital diplomacy has become a cornerstone of its contribution to BRICS cooperation. The proposal to link India's *Unified Payments Interface (UPI)* with other BRICS payment systems could enable local-currency settlements and reduce dependence on the U.S. dollar in bilateral trade. The idea aligns with broader discussions on a BRICS-backed settlement mechanism or a shared digital currency—a long-term ambition aimed at hedging against sanctions risk and global liquidity shocks (IMF, 2023). However, India remains cautious about any initiative that would centralise monetary influence under China, preferring modular, interoperable systems rather than a unified BRICS currency.

Beyond finance, the expansion brings significant energy-security implications. The inclusion of Saudi Arabia, the UAE, and Iran—three of the world's top hydrocarbon producers—creates an "energy-rich" BRICS+ cluster. For India, this is strategically advantageous. It allows diversification of energy imports within a friendly framework while reducing vulnerability to Western embargoes. Cooperation under BRICS could also extend to renewable energy, with Brazil's biofuel expertise and China's solar technology complementing India's own renewable ambitions. The newly expanded platform offers opportunities for South-South investment in clean-energy transitions, potentially supported by NDB green bonds.

Nevertheless, deeper institutionalisation of BRICS remains slow. The bloc operates on consensus, without a binding charter or permanent secretariat. Decision-making therefore depends on rotating presidencies and diplomatic coordination, limiting policy continuity. Critics argue that unless BRICS develops mechanisms for dispute resolution, monitoring, and implementation, its expansion may yield symbolism rather than substance (World Bank, 2023).

Still, the political symbolism carries weight. BRICS' expansion signals to the Global South that alternative coalitions are possible outside the G7-dominated architecture. The bloc's advocacy for reforming Bretton Woods institutions resonates with countries frustrated by unequal voting rights and conditional lending practices. As OECD (2022) analysis suggests, emerging economies now

European Economic Letters
ISSN 2323-5233
Vol 15, Issue 3 (2025)
http://eelet.org.uk

contribute nearly 60 per cent of global growth but remain under-represented in key international institutions. BRICS' collective narrative of equity and inclusivity thus appeals to developing states seeking greater policy space.

India, as the world's largest democracy and fastest-growing major economy, plays a bridging role within this coalition. It seeks to balance ideological diversity by promoting issue-based cooperation—on climate finance, health resilience, and digital public goods—rather than rigid political alignment. During its G20 presidency in 2023, India successfully advanced similar inclusive themes, which it now extends into BRICS discourse. This approach underscores New Delhi's diplomatic pragmatism: leveraging multilateral forums to elevate developing-country priorities without alienating Western partners.

Ultimately, the war in Ukraine and the resulting reconfiguration of BRICS illustrate the rise of "variable geometry multilateralism," where countries align flexibly across issue areas rather than along fixed blocs. For India, this model offers strategic space. By engaging in BRICS+ while simultaneously deepening ties with the Quad and Indo-Pacific frameworks, India can champion a vision of multipolar cooperation rooted in autonomy and balance.

In sum, BRICS' realignment and expansion represent both a challenge and an opportunity. The challenge lies in managing internal diversity and avoiding over-politicisation. The opportunity lies in leveraging collective scale to reform global finance, strengthen South–South trade, and promote sustainable development. Whether the expanded BRICS can evolve from aspiration to influence will depend largely on the diplomatic agility of its key members—and India's pragmatic leadership may prove pivotal in shaping its trajectory.

6. Policy Lessons and Strategic Directions

6.1 Strengthening Energy Security

The crisis revealed India's vulnerability to fossil-fuel volatility. Long-term strategy must integrate three pillars: (a) diversified supply partnerships, (b) renewable-energy acceleration, and (c) expanded strategic petroleum reserves. Collaborations with Middle-Eastern producers and investments in Africa's solar and hydrogen sectors could reduce dependence on Russian oil without undermining bilateral ties.

India's domestic renewable-energy programme has shown promise. Solar capacity surpassed 70 GW in 2024, positioning the country as the world's third-largest solar market. Yet renewables still supply under 12 per cent of total energy consumption. Bridging this gap requires stable regulatory frameworks, green financing, and public-private innovation hubs.

6.2 Enhancing Financial Resilience

India and its BRICS partners must institutionalise macro-financial safety nets. Operationalising the BRICS Contingent Reserve Arrangement with faster disbursement protocols could shield members from capital-flow reversals. Additionally, central-bank cooperation on digital currencies may reduce transaction costs and vulnerability to sanctions-driven payment disruptions.

India's fintech leadership offers valuable lessons. The UPI platform processed over 10 billion transactions monthly by 2024, demonstrating scalable, low-cost financial infrastructure. Extending such systems regionally can foster inclusive financial integration across BRICS.

European Economic Letters
ISSN 2323-5233
Vol 15, Issue 3 (2025)
http://eelet.org.uk

6.3 Deepening Defence Indigenisation

As Likhachev (2024) notes, modern warfare requires rapid technological adaptation. India must strengthen defence-R&D institutions, incentivise private-sector participation, and encourage joint ventures that link universities with industry. Emerging domains—cybersecurity, artificial intelligence, and space—should form the backbone of future capability development.

6.4 Advancing Multilateral Diplomacy

India's pragmatic neutrality during the conflict has preserved strategic flexibility. However, sustained credibility demands proactive peace diplomacy and humanitarian engagement. Through forums such as the G20 and BRICS, India can advocate equitable energy transitions and inclusive development financing, reinforcing its identity as a bridge between developed and developing worlds.

7. Post-War Scenarios and Long-Term Outlook

Looking ahead, three plausible post-war scenarios shape India's policy calculus:

1. **Prolonged Stalemate:** Continued hostilities and partial sanctions would sustain energy-market uncertainty. India's short-term advantage from discounted oil would persist, but long-term supply diversification would become urgent. Inflationary pressures could constrain fiscal space, compelling monetary tightening.
2. **Negotiated Settlement:** A ceasefire leading to gradual sanctions easing could stabilise commodity prices and improve global trade prospects. BRICS might gain diplomatic relevance as a mediator platform, enhancing India's international profile.
3. **Escalation and Fragmentation:** An intensification of the conflict or broader geopolitical bifurcation could divide financial systems and force India into sharper alignment choices. Under this scenario, indigenous defence capacity and regional alliances—such as the Quad—would become critical.

Each scenario underscores the necessity of adaptive policy: maintaining neutrality while reinforcing domestic resilience.

8. Conclusion: Strategic Pragmatism in a Fragmented World

The Russia–Ukraine war has underscored the inseparability of economics and geopolitics. For India and the BRICS bloc, it has been both a stress test and a moment of redefinition. India's balanced response—import diversification, fiscal prudence, and diplomatic agility—helped buffer immediate shocks but revealed deeper dependencies.

In the short run, the policy priority is stabilisation: curbing inflation, safeguarding energy supplies, and sustaining growth above 6 per cent. Over the medium term, India must accelerate green-energy transitions, indigenise defence production, and modernise trade infrastructure. In the long run, its leadership within BRICS can promote a more equitable, rules-based multipolar order.

As the global economy moves from integration to managed interdependence, India's success will depend on aligning national interests with collective resilience. The ultimate lesson of the Russia–Ukraine war is that strategic autonomy is not isolation—it is the intelligent management of interconnections in an unpredictable world.

References

1. Gopal, S., Thangaraj, V., Kumara, N., & Rupa, R. (2025). Geopolitical shockwaves: The Russia–Ukraine war's impact on BRICS financial markets. *Cogent Economics & Finance, 13*(1), 2476096. https://doi.org/10.1080/23322039.2025.2476096
2. Nach, M. (2024). BRICS economic integration: Prospects and challenges. *Emerging Markets Review, 56*, 100897. https://doi.org/10.1016/j.ememar.2024.100897
3. Kumar, S. (2024). Is BRICS expansion significant for global trade and GDP? *BRICS Journal of Economics, 5*(4), 5–36. https://doi.org/10.3897/brics-econ.5.e139877
4. Likhachev, K. A. (2024). Key aspects of India's arms export policy amid military-political turbulence. *RUDN Journal of International Relations, 24*(1), 92–106. https://doi.org/10.22363/2313-0660-2024-24-1-92-106
5. Stockholm International Peace Research Institute (SIPRI). (2024). *Trends in International Arms Transfers, 2023: Fact Sheet.* Retrieved from https://www.sipri.org/publications/2024/sipri-fact-sheets/trends-international-arms-transfers-2023
6. International Monetary Fund. (2023). *World Economic Outlook: Navigating Global Divergences.* Washington, D.C.: IMF. https://doi.org/10.5089/9781513584249.081
7. World Bank. (2023). *Global Economic Prospects: Fragile Growth and Intensifying Risks.* Washington, D.C.: World Bank. https://doi.org/10.1596/978-1-4648-1900-8
8. Carnegie Endowment for International Peace. (2024). *BRICS and the Changing World Order.* Retrieved from https://carnegieendowment.org
9. Organisation for Economic Co-operation and Development (OECD). (2022). *Economic Outlook, Volume 2022 Issue 2.* Paris: OECD Publishing. https://doi.org/10.1787/62d0ca31-en