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The Russian Economy:
Leveraging EAEU
&
BRICS Post-Ukraine

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The Russian Economy: Leveraging EAEU and BRICS Post-Ukraine

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Abstract

Three years into the Russia-Ukraine war, as Moscow faces heightened Western sanctions and mounting economic strain, its relations with the Global South partners have strengthened. Despite significant increase in military expenditure, growing inflation and pivot away from Western markets, the Kremlin has managed to maintain its economic resilience. In doing so, groupings such as the Eurasian Economic Union (EAEU) and BRICS have been vital economic lifelines. This paper analyses Russia's strategic engagement with EAEU and BRICS nations, to secure alternative markets and reduce dependence on the West. Additionally, through expanding ties with India, China and regional allies, Russia seeks not only economic survival but also a redefined position in an emerging multipolar world order.

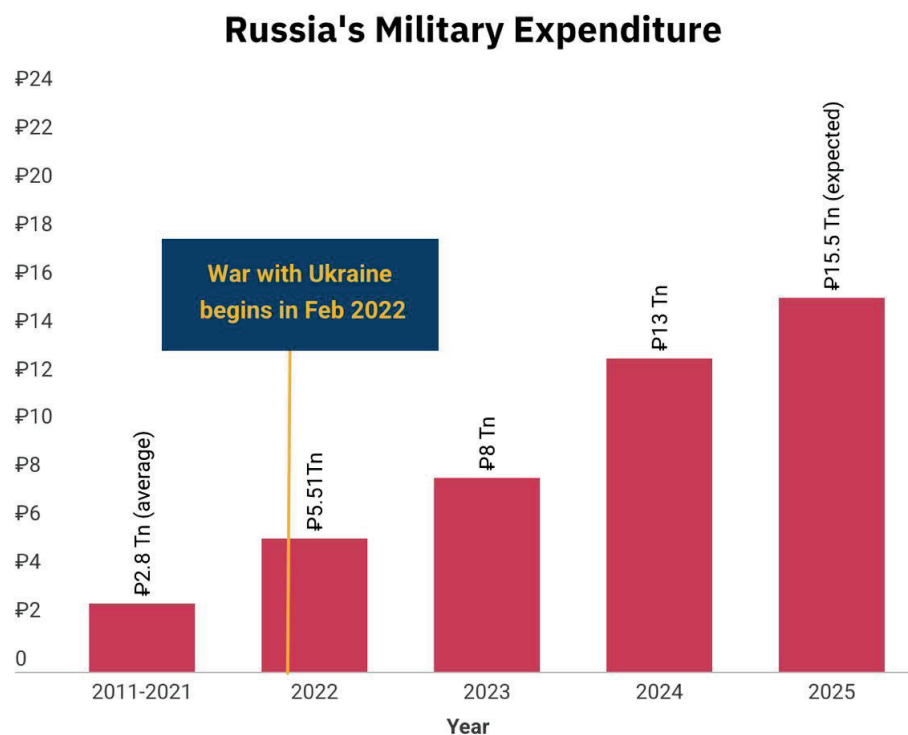
Keywords: Russian Economy, Military Expenditure, Eurasian Economic Union, BRICS, Sanctions

Since the onset of its war with Ukraine in 2022, Russia has emerged as the most heavily sanctioned country in the world. Despite the unprecedented level of international pressure, the Russian economy has displayed unexpected resilience, buoyed by a sharp rise in military spending and a pivot away from Western markets. While the United States and its European allies have funnelled military support into Ukraine, Moscow has diverted resources into sustaining its war effort, pushing defence expenditures to historic highs. Yet, more than three years into the conflict, cracks are beginning to show. With growth stagnating and inflation surging into double digits, many analysts warn that Russia's oil-dependent economy may be approaching the edge of an economic slowdown. In this context, Moscow's deepening engagement with non-Western alliances, particularly the Eurasian Economic Union (EAEU) and BRICS has become central to its strategy for economic survival and adaptation. This article explores how Russia is leveraging these partnerships to cushion the blow of sanctions and reorient its economy amidst mounting domestic and international challenges.

Russia's Present Economic Condition

Russia's defence spending has seen a sharp rise in the wake of the current war with Ukraine. In between 2011 and 2021, the average defence budget was 2.8 trillion rubles (USD 53 billion) per year. In 2022, it reached 5.51 trillion rubles (USD 79 billion), and in 2023, it reached 8 trillion rubles (USD 94 billion). While the defense spending was originally expected to continue rising and reach 10.4 trillion rubles (USD 112 billion) in 2024, it ultimately surpassed that projection, climbing to around 13 trillion rubles (USD 140 billion) {Snegovaya et al., 2025}.

Figure 1: Russia's Military Expenditure



Source: CSIS (Snegovaya et al., 2025) and SIPRI (Cooper, 2025, p.1)

According to the Stockholm International Peace and Research Institute (SIPRI), in 2025, Russia's planned military expenditure is estimated to be around 15.5 trillion rubles (USD 160 billion), equivalent to 7.2 per cent of GDP (Cooper, 2025, p.1). However, the actual military expenditure could be even higher considering the inclusion of classified items and additional wartime social payments.

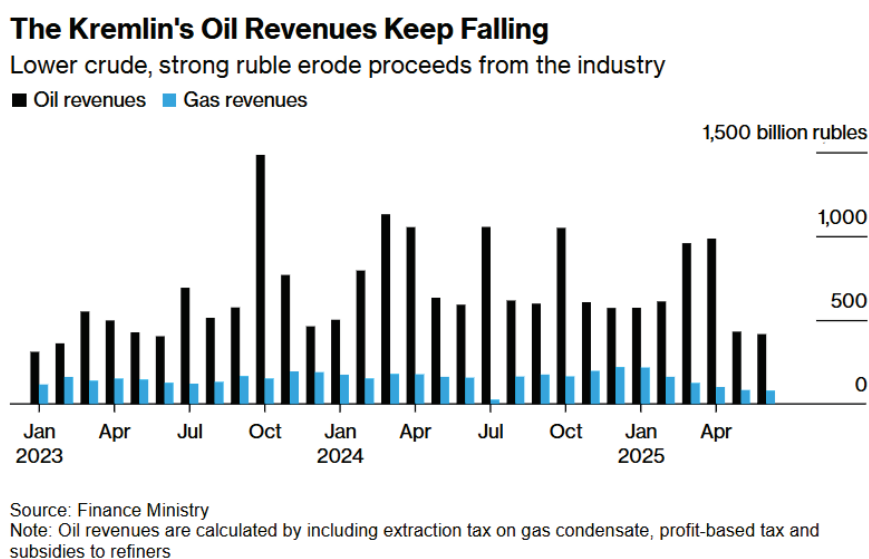
While this trend of steady rise in military spending can be traced back to the 2008 Georgian war and financial crisis, the sharp increase in Russia's military budget since the start of the Ukraine war has been monumental.

As the Russian soldiers and their families benefitted through increased salaries and pensions; military industries benefitted from subsidies, tax breaks and preferential loans; manufacturing sectors linked to defence saw double-digit growth; the civilian industries such as coal and oil declined. Mining and other non-military industries were also largely deprioritised as resources, and attention shifted toward supporting the war effort (Najafi, 2025).

To accommodate these priorities, the government has reportedly reduced transfers to the Pension and Social Insurance Fund by 1.4 trillion rubles, more than USD 17 billion, in 2025 (Cooper, 2025, p.5). This trade-off reflects a broader pattern of civilian needs being increasingly overshadowed by military objectives.

Due to drop in global crude prices, the revenues from Russian oil and gas are on a decline. Russia's crude oil exports have declined sharply over the first seven months of this year, falling by nearly 30 million barrels and shrinking in value by almost 30 per cent to 415.6 billion rubles (USD 5.27 billion), compared to the same period in 2024 (Bloomberg, 2025). When compared with 2023 shipping data, the decline is even steeper in volume terms, with exports down by seven per cent so far this year (Pakhnyuk, 2025).

Figure 2: The Kremlin's Falling Oil Revenues



Source: Finance Ministry as cited in Bloomberg (2025, July 3)

A strengthened ruble for Moscow however means that its oil producers get fewer rubles for every barrel they sell. This in turn would result in less profitability and strain on the federal budget which relies on oil and gas taxes for roughly one-third of its income. In 2025, the average price of Urals crude dropped significantly to around USD 50 per barrel, falling short of the USD 69.70 price projected in the national budget (Najafi, 2025). With income shrinking, the government has to become more dependent on borrowing within the country.

In Asia, China and India remain the primary market for Russian oil, with exports to the region holding steady at approximately 2.86 million barrels per day (Pakhnyuk, 2025). Meanwhile, oil shipment to Northern Europe, the Mediterranean, and the Black Sea region have dropped sharply since the onset of the full-scale conflict in 2022. Therefore, the Russian economy has started to show signs of strain amidst reduced oil and gas revenues and persistent Western sanctions.

During the St. Petersburg International Economic Forum, the Minister of Economic Development of the Russian Federation Maxim Reshetnikov said that, “Based on current business sentiment, it seems to me we are on the brink of transitioning into recession” (Eckel, 2025, July 01, para. 2). Seconding this thought, the head of the Russian Central Bank Elvira Nabiullina stated that the economy has grown at a “fairly high rate” over the past two years due to use of “free labour reserves”. However, the head of the Russian central bank noted that many of these resources are now depleted, emphasising the need to develop a “new model for growth” (Eckel, 2025, July 01, para. 4).

The Russian economy has been retooled to support its war in Ukraine, through heavy investment in defence sectors to produce weapons, tanks, drones, and military gear. Substantial funding has also been diverted towards boosting wages for defence industry workers, offering high salaries and benefits to attract soldiers to fight in Ukraine. This shift has reshaped local economies, particularly in poorer and more remote regions, while also helping to secure public backing for the war.

Analysts suggest that the fiscal stimulus measures have overheated the economy, pushing up inflation. By the end of 2024, annual inflation hit 9.5 per cent, far exceeding the Central Bank’s target of 5.1 per cent (Najafi, 2025). The cost of food rose sharply, putting

additional pressure on household finances. To address this, the Central Bank raised its benchmark interest rate to 21 per cent (Najafi, 2025), increasing borrowing costs and discouraging private-sector investment. Despite complaints by the industrial lobby of the country, the hike seems to be working, and has resulted in the first significant economic slowdown since the start of the war.

EAEU as Economic Lifeline

While Western sanctions have aimed to economically isolate Russia, their effectiveness has been uneven. Since the war began, the Kremlin has significantly improved its relations with the Global South. In this regard, Russia has also strengthened its position in the Eurasian space. Previously, seen as a grouping playing peripheral role in Moscow's foreign policy, the Eurasian Economic Union (EAEU) has become an important tool for Russia to heighten its resistance to sanctions, minimising reliance on Western technology and finances while promoting international trade with allied countries.

In the first year of the war itself, Russia was seen adopting strategies to circumvent trade sanctions through intermediary countries, mainly its partners in the Eurasian Union. On one hand, while Kremlin's closest ally, Belarus, could only provide limited assistance due to having already been subjected to similar sanctions for different reasons (Юрий Шейко, 2021), other member-states like Armenia, Kazakhstan and Kyrgyzstan were seen playing a more active role. Despite a 10.2 per cent overall decline in Russia's foreign trade transactions from 2021 to 2023, trade with Kazakhstan grew by 48 per cent, with Kyrgyzstan by 75 per cent, and with Armenia by over 4.2 times (Inozemtsev, 2025).

According to a report by Kazakhstan's Bureau of National Statistics, within EAEU trade from January to May 2025, Russia accounted for 88.8 per cent of Kazakhstan's EAEU trade, with exports mainly including crude oil and metals, while imports were led by machinery and food (Bureau of National Statistics, 2025).

Similarly, reports suggest that in 2024, the volume of mutual trade between Kyrgyzstan and Russia reached USD 3.5 billion, demonstrating a steady growth of 14.5 per cent compared to the previous year (Kyrgyz National Kabar News Agency, 2025). Notably, 98 per cent of these transactions are said to be done using national currencies (The Russian Government, 2025). The exports to Russia increased by 46.3 per cent and amounted to USD 937.4 million,

while imports from Russia reached USD 2.07 billion, resulting in 15.4 per cent increase than 2023 (Janob, 2024).

Furthermore, trade turnover between Armenia and Russia in 2024 reached record levels of nearly USD 12 billion, both bilaterally and within the EAEU framework. Moscow remained Yerevan's top trading partner, with exports from Armenia amounting to USD 2.95 billion and imports totalling to around USD 8.8 billion, showing a 2.4-fold import growth (ARKA News Agency, 2025).

Therefore, even with countries like Russia and Belarus facing unprecedented sanctions, the EAEU integration did not collapse. Rather, the sanctions pressure seems to have encouraged the development of business ventures independent of Western approval or criticism. Prior to the imposition of sanctions on Russia, this integration process was already underway albeit at a measured pace, with members discussing on specific trade barriers and potential areas of collaboration. However, as sanctions mounted, the integration effort gained renewed momentum. Thus, a shift marked by the need for a faster, deeper cooperation became clear, and greater emphasis is now placed on 'self-reliance' and 'internal resilience'.

The BRICS Equation

Similar to the EAEU, Russia has also utilised its partnership with nations of the BRICS grouping. During the 2025 BRICS summit, held in Rio de Janeiro amidst rising geopolitical tensions, Russia made its most assertive case for an alternative global order. With President Vladimir Putin and Foreign Minister Sergey Lavrov delivering coordinated messages on de-dollarisation, sovereignty, and South-South cooperation, the Kremlin is positioning itself as both a 'disruptor of Western hegemony' and a 'champion of the Global South'. While Russia's contemporary foreign policy and the formation of the BRICS grouping has been a particular target of Western criticism, most critics from the non-Western world see it as Moscow being 'non-aggressive' and 'purely defensive'.

Within BRICS, Moscow has particularly deepened its relations with New Delhi and Beijing, thus capitalising on the blocs growing global influence. Trade between Russia and China has nearly reached USD 250 billion, driven largely by increased Russian exports of energy (Wei, 2025). Additionally, in May 2025, Putin and his Chinese counterpart Xi Jinping, agreed to deepen their comprehensive strategic partnership, with the signing of various

documents, ranging from enhancing interbank ties and expanding settlements in national currencies to strengthening cooperation in education and arts, and student youth exchanges (Honig, 2025). Similarly, India emerged as a major buyer of discounted Russian oil, while also expanding exports of pharmaceuticals, machinery, and consumer goods to Russia (Nair, 2024). Therefore, these new trade dynamics have enabled Moscow to offset losses in traditional Western markets and maintain a steady inflow of revenue.

Beyond trade, Russia has also used BRICS as a platform to push for de-dollarisation and develop alternatives to Western-dominated financial systems. In response to being cut-off from SWIFT and other Western banking infrastructure, Moscow has actively promoted the use of national currencies in bilateral trade within BRICS, especially with China and India. Transactions in yuan (Bloomberg, 2025) and rupees (Jagota, 2024) have grown significantly, helping Russia reduce its reliance on the US dollar and Euro. Additionally, the Kremlin has supported initiatives to create a BRICS-led payment system or even a common currency, aimed at insulating member states from the geopolitical leverage of Western financial institutions.

Furthermore, Russia also seems to look at the BRICS New Development Bank (NDB) as a potential source of investment and financial support amidst increasing isolation from Western capital markets. Even though, the NDB has been cautious in directly financing Russia due to secondary sanctions risks, Moscow seems to view the institution and the recent BRICS expansion including countries like Iran, the UAE, and Egypt as an opportunity to build new economic alliances and attract alternative forms of capital and cooperation.

Additionally, the fact that 36 leaders convened in Russia during the 2024 Kazan Summit, amidst Moscow being at war, sought to demonstrate that it is not diplomatically isolated (Wintour, 2024). Rather, it is positioning itself as a major power capable of drawing support beyond the West and propagating its concept of world majority state, also known as the Global South. Thus, Russia is not only leveraging its position in the BRICS in an attempt to reorient its economy away from the West, but also positioning itself as a leading voice in a multipolar world order that challenges Western dominance.

Conclusion

In 2024, the European Union (EU) recorded bilateral trade in goods with Russia amounting to €67.5 billion, alongside an estimated €17.2 billion in services trade in 2023. Notably, the EU's imports of liquefied natural gas (LNG) hit a new peak in 2024, reaching 16.5

million tonnes and surpassing the previous high of 15.21 million tonnes set in 2022. The scope of Europe's trade with Russia extends beyond energy, encompassing fertilisers, mining resources, chemicals, iron and steel, as well as machinery and transport equipment. As for the United States, it has continued to source key imports from Russia, including uranium hexafluoride for its nuclear sector, palladium essential for electric vehicles, along with fertilizers and various chemicals (Government of India, 2025).

These figures reveal the extent to which major Western economies, despite sanctions and political rhetoric, have remained commercially engaged with Russia. Therefore, indicating that Russia did not face complete diplomatic isolation nor did the sanctions inflict substantial economic damage. Thus, the Western policymakers seem to have yet again underestimated Moscow's ties with its current partners.

Now, in a dramatic U-turn, US President Donald Trump threatens to impose "secondary sanctions" on countries dealing with Russia, if Moscow does not reach a peace deal within 50 days (Dunn, 2025). Clarifying Trump's comment, a White House official stated that secondary sanctions does not target Russia directly but instead targets major economies like China and India that have become Russia's commercial lifelines, affecting global supply chains (Liptak, 2025, July 15).

However, following the announcement, Moscow's stock exchange climbed by 2.7 per cent, while the Russian ruble gained in value (Reuters, 2025). On a broader scale, oil markets appeared to stabilise, reflecting a lack of perceived immediate risk among traders (Kelly, 2025). As official statements from Russia noted that time was needed to "analyse" this announcement (Faulconbridge et al., 2025), senior officials like Dmitry Medvedev posted that "Russia didn't care" about Trump's threats (Medvedev, 2025).

These reactions indicate that Russia's key partners are not panicking, and Moscow continues to benefit from its strengthened ties with members of the EAEU and BRICS. With deepening trade and financial cooperation, particularly with China, India, Brazil, Kazakhstan, and Kyrgyzstan, Russia has managed to partially shield its economy from the impact of Western sanctions.

Nevertheless, even with this external support, as many Russian economists have pointed out, the domestic economy is beginning to slow. Surge in defence spending,

inflationary pressures, and falling energy revenues are combining to strain public finances and private consumption. Therefore, what remains to be seen is whether Russia can manage its desired soft landing or whether the structural imbalances created by prolonged war and ‘pseudo-isolation’ will lead to a more prolonged economic downturn. For now, the Russian economy seems to have been down, but not broke.

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