



Russia-India Economic Cooperation: Current Trends and Promising Directions

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Abstract: The prevailing geopolitical conditions, characterized by Russia's reorientation away from the West and India's steadfast pursuit of an independent foreign and economic policy, present a distinctive prospect for Russia and India to enhance their trade and investment collaboration to a heightened level. Despite the existence of a Special and Privileged Strategic Partnership between the two nations, the volume of bilateral trade and mutual investments has long remained insufficient in comparison to their political ties. Nevertheless, the trade volume between Russia and India is now experiencing rapid growth due to the significant increase in exports of energy, fertilizers, iron and steel, wood products, vegetable and animal oils from Russia to India. This article not only examines this phenomenon but also assesses the necessary conditions to address India's escalating trade deficit with Russia. These prerequisites encompass the expansion of the manufacturing sector in India, the rise in purchasing power of the Indian middle class, and the accelerated development of digitization in both India and Russia. The Indian economy has been notably stimulated by key governmental initiatives led by Narendra Modi, such as "Atmanirbhar Bharat" (or "Self-Reliant India"), "Make in India," "Skill India," and "Startup India," all of which prioritize digital transformation. Russian entrepreneurs demonstrate a keen interest in India's market trends and swiftly adapt to India's evolving demands and capabilities. Similarly, Indian business circles exhibit a growing inclination to acquire knowledge about contemporary Russia. This realignment presents an opportunity to expand trade beyond conventional goods and establish new investment connections between the two countries.

Keywords: Russian economy, India's economy, geopolitics, entrepreneurship, new opportunities, digital transformation, mutually beneficial cooperation, trade and investment, venture capital, startups

The examination of the rapidly evolving circumstances in 2022-2023 and the emerging trends in bilateral cooperation between Russia and India necessitates a flexible approach. With trade data becoming more sensitive and the absence of official reporting, reliance on unofficial market analytics may be required more frequently than in the past. The objective of this article is to investigate how Russia and India are adjusting to geopolitical changes and how these changes impact their bilateral trade and economic relations.

The author worked on the foundation of earlier research in the subject of Russian-Indian relations (Kashin, Shaumyan 2017; Unnikrishnan, Kamalakaran, et al. 2015; Lunev, Iurtaev 2022)¹, as well as historical and recent publications of Russian and Indian scholars on the subject of Indian economy (Galistcheva 2019, Sdasyuk 2021, Baru 2022; Nilekani, Shah 2015). The conclusions of this article are based on the empirical evidence, the author's practical experience and, most importantly, interaction with business leaders and other stakeholders in Russia and India. The author's assessment is that businesses of both countries are now actively seeking ways to reengage with each other, and there are several prerequisites supporting this recalibration that provide a foundation for a qualitative shift in the Russian-Indian trade and investment relationship.

Stalling progress

It is widely acknowledged that, for multiple reasons, the economic collaboration between Russia and India has not kept pace with the rapid development of their political partnership. In 2019, the total trade turnover between Russia and India amounted to 11.2 billion USD. Russian exports to India accounted for 7.3 billion USD, showing a decrease compared to the previous year, while Indian exports to Russia amounted to 3.9 billion USD, indicating an increase from the previous year. By 2021, the bilateral trade between the two countries had reached 13.56 billion USD². In 2014, Prime Minister Modi and President Putin prioritized the enhancement of trade and economic relations between India and Russia, setting a target of achieving 30 billion USD in trade and 50 billion USD in investments by 2025. Both governments have been actively engaged in identifying and addressing bottlenecks and barriers that impeded the improvement of economic ties. To facilitate investments by Indian companies in Russia, the Russian Ministry of Economic Development introduced a "Single Window Service" to streamline the process. Similarly, in 2017, India established a similar

¹ See also: Volodin A. 2011. Rossijsko-indijskie otnosheniya – national'noe, regional'noe i global'noe izmerenie [The Relationships between Russia and India – National, Regional and Global Dimension]. *IMEMO*. URL: https://www.imemo.ru/files/File/ru/sc/2011/18052011_tez.pdf. (In Russian) (accessed 30.04.2023).

² Brief on India-Russia Economic Relations. *The Embassy of India in Moscow*. URL: <https://www.indianembassy-moscow.gov.in/overview.php>. Data from the Federal customs service of Russia. (accessed 30.04.2023).

facility through its investment promotion and facilitation agency, *Invest India*, which established a dedicated Russia Desk as a convenient advisory platform for Russian businesses seeking to invest in India. These initiatives aim to foster smoother and more efficient investment flows between the two countries.

Numerous institutions on both sides, including the Russian Exports Centre, Far East Investment and Export Agency, Business Russia, SKOLKOVO business school and Skolkovo Foundation, NITI Aayog, Confederation of Indian Industry (CII), Federation of Indian Chambers of Commerce and Industry (FICCI), Department of Science and Technology (DST), and Invest India, have been actively working to foster connections between the business communities of Russia and India. Additionally, the India-Russia Strategic Economic Dialogue (IRSED)³ has been conducted through three rounds of meetings: in St. Petersburg in 2018, in New Delhi in 2019, and via video-conference in 2021. Under the IRSED, six coordination committees have been established to prioritize areas such as Transport, Agriculture, Digital Transformation, SMEs, Trade and Banking, and Tourism. In organizing regular business conferences, Roscongress collaborates with the Russian-Indian Business Council and the Indian Business Alliance. These initiatives, along with intergovernmental structures like the India-Russia Intergovernmental Commission for Trade, Economic, Scientific, and Cultural Cooperation led by ministers Denis Manturov and Subrahmanyam Jaisankar, aim to facilitate regular meetings and further strengthen bilateral cooperation between Russia and India.

The decision to initiate negotiations for the establishment of a free-trade zone between India and the Eurasian Economic Union (EAEU) has been mutually approved, and discussions are expected to commence in the near future. The Russian Far East, a vast region of Russia that is being developed as its Asian gateway, has opened up opportunities for Indian businesses and is poised to become a catalyst for the growth of Russian-Indian relations. Prime Minister Narendra Modi's participation as a Guest of Honour at the 5th Eastern Economic Summit in Vladivostok in September 2019 marked a significant moment when he urged Indian business leaders to "Look Far East," prompting them to explore the economic potential of the region. Subsequently, the announcement of the development of the Vladivostok–Chennai sea corridor was made, aiming to establish a crucial transportation link connecting the Russian Arctic and Far East with India.

However, the targeted figures for bilateral trade volume have proven challenging to achieve since their establishment, and the COVID-19 pandemic has further complicated the task. It was the crisis in Ukraine and the subsequent geopolitical shifts that provided renewed momentum to trade between Russia and India.

³ The initiative is led by NITI Aayog and the Russian Ministry of Economic Development.

Energy sector preponderance

Significant changes are currently occurring, particularly in the energy and fertilizer sectors, where Russian exports to India have experienced substantial growth. During his speech at the Valdai Discussion Club on October 27, 2022, V. Putin remarked: "The pace of economic cooperation is growing today. Overall trade is growing. One example: Prime Minister Modi asked me to increase the supply of fertilisers, which is very important for Indian agriculture, and we did it. By how much do you think? The supply of fertilisers to India has increased by 7.6 times – not just by a fraction, but by 7.6 times. Bilateral trade in agricultural products has almost doubled."⁴

The cooperation between the two countries in the energy sector has historical roots. The USSR assisted India in discovering and exploring some of its most significant oil, gas, and coal deposits, particularly in Gujarat, West Bengal, Assam, Tamil Nadu, Jharkhand, and Chhattisgarh. In recent years, energy resources have become the main area of bilateral cooperation, with strategic implications. The core elements of this cooperation traditionally include nuclear energy and investments in the oil and gas industry⁵. For instance, Rosatom, a Russian state-owned company, is undertaking a large-scale multi-phase project to construct the Kudankulam nuclear power plant in India. On the other hand, Indian oil and gas majors such as ONGC Videsh Ltd (OVL), Bharat Petroresources Ltd, Indian Oil Corp (IOC), and Oil India Ltd (OIL) have invested around 16 billion dollars in major assets in Russia, including Sakhalin-1, the Vankor field, Taas-Yuryakh, and Imperial Energy. Rosneft, a Russian state-owned oil company, has acquired Indian Essar Oil Limited and is currently developing a port and refinery in Vadinar (Gujarat), where petrochemical production, retail development, and entry into the Indian petrochemical market are also ongoing. The possibility of Indian investments in the Russian projects Vostok Oil and Arctic LNG-2 is also under discussion. Gazprom, Novatek, and Sroytransgaz have been expanding their presence in the Indian market as the Indian government's strategic course to increase the use of gas opened up new opportunities for them in recent years. In October 2021, India received its first direct shipment of liquefied natural gas from Novatek's facility in Yamal in accordance with the long-term contract between Gazprom and GAIL Ltd⁶.

⁴ Valdai International Discussion Club meeting. The President Took Part in the final Plenary Session of the 19th Meeting of the Valdai International Discussion Club. 2022. *President's Website*. October 27. URL: <http://en.kremlin.ru/events/president/news/69695> (accessed 30.04.2023).

⁵ Russia – India Energy Cooperation: Trade, Joint Projects, and New Areas. *RIAC – Gateway House policy brief*. URL: <https://russiancouncil.ru/papers/Russia-India-Energy-Policybrief13-En.pdf> (accessed 30.04.2023).

⁶ In 2012, GAIL, an Indian natural gas company, entered into a 20-year contract with Gazprom Marketing & Trading Singapore, a trading subsidiary of Gazprom Germania, to purchase 2.5 million tons of LNG per year. This contract was subsequently extended to 25 years. Gazprom, a Russian gas company, supplies LNG to India from various sources, including Russia's Yamal region, as well as its global portfolio. However, in 2022, Gazprom Germania faced de facto expropriation by the German authorities. As a result, Gazprom encountered difficulties in maintaining uninterrupted LNG supplies to India, leading to the non-delivery of several shipments. Nevertheless, the significance of this long-term contract should not be underestimated, as it provides greater stability and predictability in pricing for both the buyer and the seller compared to spot prices.

The cargo went through the Northern Sea Route, the Pacific and Indian Oceans to GAIL terminal in Dabhol (Maharashtra).

In 2022, the natural complementarity between the two countries in the energy sector was reinforced by external factors, including unprecedented sanctions against Russia, resulting in a significant increase in energy prices on global markets and interruptions in supplies. As a result, the energy bridge between the two countries, which involves trade and investments in oil and gas, liquefied natural gas (LNG), nuclear power, and coal production and processing, is expanding rapidly.

Since June 2022, market analysts have regularly reported that Russia has surpassed Iraq and Saudi Arabia as India's main crude oil supplier. As of October 2022, Russia accounted for 22% of India's crude oil imports, while Iraq accounted for 20.5% and Saudi Arabia, for 16%⁷. In October, the average daily crude oil shipments from Russia to India were estimated at 970,000 barrels, representing an increase from 942,000 barrels per day in September. By March 2023, this volume had further risen to 1.6 million barrels per day, demonstrating a significant growth trajectory compared to the 69,000 barrels per day recorded in March 2022. Notably, in April 2023, the oil supplies from Russia surpassed the combined supplies from Iraq and Saudi Arabia, highlighting Russia's prominent position as a major supplier of crude oil to India⁸. Reports indicate that Russia has offered substantial discounts to Indian buyers, while officials from both countries stress the mutually beneficial nature of this trade. India has one of the strongest petrochemical industries in Asia which accounts for approximately 12% of India's exports. While precise estimates are difficult to determine, up to 15% of India's petrochemical output may now be based on Russian oil⁹.

Investment cooperation in the oil and gas sector between Russia and India remains active. OVL, an Indian state-owned company, has expressed its intention to continue its participation in the Sakhalin-1 project, where it currently holds a 20% stake. Moreover, Indian state-run companies have shown interest in acquiring the stakes of Western energy players, such as ExxonMobil and BP, who have withdrawn from their investments in Russia. However, no official decisions regarding these potential acquisitions have been announced at this time.

Conversely, there have been instances of Indian companies disengaging from the Russian market. Tata Power, which had obtained a coal mining license in Kamchatka in 2017, has applied for the cancellation of the license. Additionally, Tata Steel, one of the long-standing businesses within the Tata conglomerate, decided to sever its business ties with Russia, making it one of the few Indian companies operating in the Russian market to take such a step.

⁷ Russia Becomes India's Top Oil Supplier as Sanctions Deflate Price. 2022. *The Financial Times*. November 8. URL: <https://www.ft.com/content/f01161be-189f-4f69-918f-fd2a1f0fa1e3> (accessed 30.04.2023).

⁸ Oil Imports from Russia to India Exceed the Supplies by Riyadh and Iraq for First Time. 2023. *RBC*. May 2. URL: https://www.rbc.ru/politics/02/05/2023/6450ddc99a7947814ff0a177?from=from_main_13 (accessed 30.04.2023).

⁹ The Indian Oil Bridge Between Russia and its Sanctioners. 2022. *Petro-logistics*. August 30. URL: <https://www.petro-logistics.com/blog/posts/the-indian-oil-bridge-between-russia-and-its-sanctioners/> (accessed 30.04.2023).

Apart from the Indian companies that choose to stay, there are new players considering entering the Russian market, where clients are looking for substitutes to the European equipment in oil processing, various types of industrial machinery, mining, auto components, medical equipment, food processing, printing and polygraphy, and other industries. Indian exporters are willing to work in the new setup and seek solutions to financial and logistics challenges¹⁰. Hence one of the most important tasks for both countries' authorities is to protect bilateral financial and goods streams from Western interference and improve their efficiency.

India's rapid economic recovery following the COVID-19 pandemic has resulted in an increased demand for Russian coal. This demand surge can be attributed to various factors, including the slowdown in China's economy, a decrease in coal production within China, and a reduction in India's coal imports from countries such as Australia, the United States, and South Africa. These factors have allowed Russian coal producers to adjust their pricing strategies, correcting the previously heavily discounted prices.

While India's coal purchases peaked in the summer of 2022 and subsequently declined as prices rose, the Indian market remains of significant importance to Russian coal producers. In response, some Russian coal producers, like SUEK, are actively working towards establishing a stronger presence in India. Despite India's aspirations to reduce the share of coal in its energy mix, it is projected that coal will continue to be used in the country until at least 2040. Additionally, the volume of coal consumption is expected to grow in the short term, primarily driven by the metallurgy and infrastructure sectors.

Russian coal is favored for its lower ash content and comparatively lower cost compared to the expensive and more polluting coal types sourced from Australia. To cater to the Asian markets, Russia has already relocated parts of its coal exporting fleet from the Baltic region to the Far East, demonstrating its commitment to serving the growing demand in the region.

Cooperation and politics

Despite the presence of strong anti-war sentiment in India, it does not automatically translate into a negative stance towards Russia. The Indian government has faced significant pressure from two sources regarding its neutral position on Russia's actions in Ukraine: Western capitals and the domestic opposition within India. Criticism has been directed at India's leadership for increasing oil supplies from Russia, with US officials emphasizing their desire for India to benefit from a Western price cap on Russian oil, a stance promoted by Washington. However, India's Minister of Oil and Gas, Hardeep Singh Puri, has defended India's efforts to diversify its suppliers, stating that India is acting in its national interests and for the benefit of its people.

¹⁰ Zakharov A., Kapoor N. 2022. India-Russia Trade Settlement: A way forward. *Observer Research Foundation*. August 2022. URL: <https://www.orfonline.org/expert-speak/india-russia-trade-settlement-a-way-forward/>. (accessed 30.04.2023).

The stability of both the economy and political landscape is crucial for India's overall development. The country is currently grappling with challenges such as inflation, depreciation of the rupee, and slower-than-desired job growth. The increase in India's energy bill, combined with its heavy dependence on imports, has the potential to negatively impact the country's finances and have significant implications for domestic policy. Ensuring economic and political stability becomes paramount in order to safeguard India's successful development trajectory. When praising India's independent strategy, Putin used a very telling comparison: "Prime Minister Modi is one of the few people in the world who are capable of pursuing an independent foreign policy in the interests of his people. Despite any attempts to contain or restrict something, he's like an icebreaker, you know, just moving calmly in the direction that the Indian state needs".¹¹

The new paradigm

In 2022, there was a substantial increase in India's imports from Russia, particularly in the energy and fertilizer sectors, resulting in a remarkable surge of 430% compared to the average monthly levels of the previous five years. This significant increase in imports is not unique to India, as other countries such as Turkey, Brazil, and China have also witnessed notable growth in their imports from Russia, with figures standing at +213% for Turkey, +166% for Brazil, and +98% for China¹². This surge in trade has propelled Russia from the 25th position to the 5th position among India's trade partners in just one year. Russia now follows the United States, China, the United Arab Emirates, and Saudi Arabia, surpassing countries like Iraq and Indonesia.

The substantial trade deficit between India and Russia, exacerbated by India's declining exports, has become a matter of concern for Indian policymakers. To avoid further exacerbating the trade deficit and considering the surplus of rupees, Russian companies supplying crude oil to Indian oil processing companies prefer to be paid in dollars. As of November 2022, India has emerged as the largest buyer of seaborne Russian Urals oil, accounting for 40% of the total purchases, surpassing all other countries¹³.

In the fiscal year 2022-2023, Russia and India have achieved a remarkable milestone by surpassing the 18 billion dollars mark in bilateral trade within just five months (April-August)¹⁴. Notably, they have not only reached their target bilateral trade vol-

¹¹ Valdai International Discussion Club meeting. The President took part in the final plenary session of the 19th meeting of the Valdai International Discussion Club. 2022. *President's Website*. October 27. URL: <http://en.kremlin.ru/events/president/news/69695> (accessed 30.04.2023).

¹² *Observatory of Economic Complexities*. 2022. URL: <https://oec.world/en/profile/country/ind> (accessed 30.04.2023).

¹³ India Purchased 40% of Seaborne Russian Urals oil in Nov. 2022. *Reuters*. November 29. URL: <https://www.reuters.com/business/energy/india-purchased-40-seaborne-russian-urals-oil-nov-refinitiv-data-traders-2022-11-28/> (accessed 30.04.2023).

¹⁴ In contrast, the total annual bilateral trade between the two countries stood at 13,124.68 million USD in 2021-22, and 8,141.26 million USD in 2020-21. It was 10,110.68 million USD before the pandemic in 2019-20, 8,229.91 million USD in 2018-19, and 10,686.85 million USD in 2017-18.

ume of 30 billion dollars ahead of schedule by the end of 2022, but they have also significantly surpassed this benchmark with a trade volume of 44.4 billion USD by April 2023¹⁵. However, this surge in trade has resulted in an increasing trade imbalance, prompting both countries to prioritize efforts to rectify these imbalances while also diversifying their economic cooperation in other areas.

During a visit to Moscow in November 2022, the Indian foreign minister, S. Jaishankar, was accompanied by senior officials from various Indian ministries, including finance, commerce, agriculture, petroleum and natural gas, ports and shipping, and chemicals and fertilizers. Minister Jaishankar held talks with his Russian counterpart, Sergey Lavrov, and together they co-chaired a meeting of the Inter-Governmental Commission on Trade, Economic, Scientific, Technical, and Cultural Cooperation, alongside Russian Deputy Prime Minister D. Manturov.

In a joint press conference following the initial round of talks, Minister Jaishankar emphasized the "significant growth" in bilateral trade and highlighted the focus on ensuring its sustainability. He also expressed India's "natural concern" regarding the trade imbalance and raised concerns about the obstacles hindering greater Indian exports.¹⁶

Current prerequisites

In light of the current geopolitical circumstances, there has been a correction in Russia's excessive leaning towards the West. This shift is not limited to the country's political leadership but also extends to its intellectual and business elites. There is a growing disillusionment with Russia's Western partners, and a recognition that reorientation towards the East is both unavoidable and irreversible. As a Eurasian country, the majority of Russia's territory lies in Asia. Russian decision-makers and strategists have been increasingly focused on pivoting towards the East¹⁷. This has been demonstrated most notably through Moscow's attention to the country's eastern regions and various initiatives aimed at transforming Vladivostok into Russia's gateway to rising Asia. However, the necessary infrastructure for this turnaround has been progressing slowly, and according to most Russian business leaders, this shift towards the East has yet to extend significantly beyond China.

Presently, there is a notable surge of interest in India and a growing desire for knowledge about the country in Russia. This interest is partly driven by Russian businesses being compelled to step out of their comfort zone. Additionally, India's strong

¹⁵ For the First Time Russia's Export to India Surpassed 40 Billion USD. 2023. *RIA Novosti*. April 27. URL: <https://ria.ru/20230427/eksport-1868017979.html> (accessed 30.04.2023).

¹⁶ 'If it works to my advantage...': Jaishankar's Blunt Message on Russian Oil. 2022. *The Hindustan Times*. November 8. URL: <https://www.hindustantimes.com/india-news/eam-underscores-india-russia-ties-in-moscow-with-positive-talks-on-energy-trade-101667918133234.html> (accessed 30.04.2023).

¹⁷ Volodin A. 2011. Rossijsko-indijskie otnosheniya – national'noe, regional'noe i global'noe izmerenie [The Relationships between Russia and India – National, Regional and Global Dimension]. *MEMO*. URL: https://www.imemo.ru/files/File/ru/sc/2011/18052011_tez.pdf. (In Russian) (accessed 30.04.2023).

independent stance in global politics and its consistent pursuit of strategic autonomy, which is widely recognized and respected in Russia, have sparked curiosity. However, the interest in India and the exploration of emerging opportunities go beyond political factors. The substantial changes witnessed in the Indian economy in recent years and its remarkable developmental achievements have also contributed to this enthusiasm. Unlike in previous years, there is no political imperative mandating business with India. Even major corporations, both private and state-owned, who previously visited India as part of large business delegations, are now approaching the country with a different perspective. The new generation of Russian entrepreneurs possesses a realistic understanding of the complexities involved in working with India, devoid of the inflated expectations inherited from the Soviet era. There is a natural curiosity and a hunger for knowledge, and despite the limited availability of information, these entrepreneurs are quick learners. Russia's institutions specializing in Indian studies, which have remained strong since the Indo-Soviet friendship era, are collaborating with business promotion and education establishments. These partnerships aim to educate the Russian business community about the ongoing changes in India, accumulate valuable experience, share best practices, and learn from practitioners in the field.

India is undergoing significant changes that are not widely known in Russia. One notable development is the increase in per capita income in India. Additionally, the implementation of a common Goods and Services Tax (GST) in 2017 has led to the creation of a unified nationwide market consisting of over one billion people (Agarwal 2017). Previously, the fragmented market and the limited number of consumers with disposable income acted as deterrents for Russian companies¹⁸ considering entry into the Indian market. However, it is projected that India's middle class will experience substantial growth, increasing from 14% in 2004-2005 to 46% in 2030 and 63% in 2047 (Galistcheva 2015). These demographic shifts indicate a significant expansion in the consumer base, which presents new opportunities for businesses operating in India.

Despite the alignment of Russia and India's official positions on international climate change policies, there is a lack of awareness among Russian businesses regarding the significance of the climate change agenda for India's people, companies, and political leadership¹⁹. However, India's ongoing economic transformation, driven by its commitment to addressing climate change, offers new avenues for cooperation between Russia and India. India has set ambitious targets to increase the proportion of renewable energy in its energy mix, accelerate the decarbonization of the transporta-

¹⁸ Molchanova Y., Sokolova K., Lemeshko O. 2018. Meet the New Indian Consumer: Changing Patterns of Consumer Behavior in one of the Fastest Growing Economies in the World. *Skolkovo Institute for Emerging Markets Studies*. URL: https://iems.skolkovo.ru/downloads/documents/SKOLKOVO_IEMS/Research_Reports/SKOLKOVO_IEMS_Research_2018-06-30_en.pdf. (accessed 30.04.2023).

¹⁹ Kulik L., Nurgalieva G., Sushkova E., Auyezova K. 2022. Climate Change Policy of India, China, and Kazakhstan. *Skolkovo Institute for Emerging Markets Studies*. URL: [https://sk.skolkovo.ru/storage/file_storage/34e5133b-554c-4be3-ba00-57d35f7eac46/Climate-Change-Policy-India-China-Kazakhstan-2022-ENG-sm-\(1\).pdf](https://sk.skolkovo.ru/storage/file_storage/34e5133b-554c-4be3-ba00-57d35f7eac46/Climate-Change-Policy-India-China-Kazakhstan-2022-ENG-sm-(1).pdf). (accessed 30.04.2023).

tion sector, and improve energy efficiency in buildings and infrastructure. These initiatives create opportunities for Russian companies to explore collaboration in line with India's climate agenda and energy transition.

There are several specific areas where Russian companies could potentially contribute to India's climate goals. For instance, a large number of coal-fired power plants in India require modernization, and there is a demand for smart grids, distributed power systems, affordable and efficient solar panels, batteries, advanced materials, and technologies related to energy efficiency. Moreover, the development of gas transportation and consumption infrastructure is also essential. Upgrading India's extensive railway system is another priority. In March 2023, a Russian-Indian consortium consisting of Transmashholding, a prominent Russian railway engineering company, and Rail Vikas Nigam Ltd., an extended subsidiary of the Indian Ministry of Railways, won a tender for the production, supply, and maintenance of 120 16-car Vande Bharat Express high-speed electric trains. This contract, valued at 1.7 billion USD, marks a significant achievement for a Russian company under the framework of India's "Make in India" initiative²⁰.

India's commitment to addressing climate change has led to active support for the development of advanced biofuels, energy-efficient cooling systems, and green hydrogen technologies. This opens up significant opportunities for cooperation between Russia and India in various sectors. The digitization of production, smart transport systems, water treatment, waste management, and public utilities are among the areas where new prospects are emerging. Additionally, India's climate agenda creates avenues for collaboration in nuclear energy and gas supplies, including the regasification of liquefied natural gas (LNG). There is also interest from New Delhi in producing LNG carriers in India with the assistance of Russian experts.

However, the potential for hydropower cooperation may be limited, particularly regarding the construction of new hydropower plants in India. Environmental concerns are likely to deter India from developing smaller hydropower stations in the Himalayas. On the other hand, Russia can play a crucial role in supplying India with essential metals such as nickel, copper, cobalt, lithium, and other rare and non-ferrous metals that are vital for the transition to a cleaner economy. These metals are indispensable for various applications, including renewable energy technologies and electric vehicles.

Presently, India's exports to Russia are primarily comprised of pharmaceuticals and organic chemicals. Russian business leaders are actively learning about India's initiatives, such as the "Aatmanirbhar Bharat" (Self-Reliant India) and "Make in India – Make for the World" programs, as well as the country's ambitious plans to di-

²⁰ Russian and Indian Railways Set to Manufacture Vande Bharat Trains in Boost to Make in India Campaign. 2023. *India Narrative*. April 6. URL: <https://www.indianarrative.com/world-news/russian-and-indian-railways-set-to-manufacture-vande-bharat-trains-in-boost-to-make-in-india-campaign-128596.html> (accessed 30.04.2023).

versify and strengthen its manufacturing sector. India aims to become the new global manufacturing hub, with significant investments in industries like electronics, including semiconductor production, electric vehicle manufacturing, and further development in textiles and auto components²¹. India's primary focus is currently on serving its robust domestic market, and there is a strong political will to outcompete Chinese exports in the US market, India's largest export destination. Therefore, it is likely that Russia will play a significant role in facilitating trade links between its market and India's production capabilities. Interestingly, reports suggest that Russia has shared an extensive list of items with India and other friendly countries that major Russian companies would like to procure. This proactive approach from Russia indicates that trade between the two countries is likely to expand more through Russia's demand rather than India's push, especially as Russian companies seek to minimize the impact of Western restrictions.²²

The power machines, shipbuilding, and space industries in India present significant opportunities for Russian exports and joint development and production. These sectors have recently opened up to private participation to support India's rapid development. Russia is particularly adept at prototyping, while India excels in scaling operations. Therefore, combining Russian expertise with India's manufacturing capabilities can prove mutually beneficial. Russian companies should consider adopting the "Build in India – Sell Globally" strategy, leveraging India's expanding market and global reach. Collaborative efforts in third countries across Africa, Asia, and the CIS also hold potential.

While Russia is facing workforce shortages in sectors like industry and construction, Indian workers can contribute to specific projects. It is essential for Russian authorities to be receptive to India's proposals for engaging Indian labor. India considers itself a reservoir of talent and workforce for the global economy, and employment and education rank among the top priorities of the Indian government. Therefore, this topic holds potential importance in the bilateral agenda.

Furthermore, there are certain misconceptions about the Russian business environment prevalent within India's business media and community. For example, the perception of significant volatility in the Russian ruble is greatly exaggerated. The increasing competitiveness of Russian solutions is not widely recognized, and the macroeconomic stability of the country is often underestimated.

The two countries are becoming increasingly close due to their simultaneous advancements in digitization. India's success in digital transformation, as well as its thriving startup scene and venture capital activity, are well-known among Russia's

²¹ At present India is already No. 2 globally in the production of smartphones and aims to occupy a large share of global electric vehicles market, with particular focus on two- and three-wheelers.

²² Exclusive: India asked by sanctions-hit Russia for parts for key sectors. 2022. *Reuters*. November 29. URL: <https://www.reuters.com/world/india/india-asked-by-sanctions-hit-russia-parts-key-sectors-sources-2022-11-29/> (accessed 30.04.2023).

technology business community and digital experts²³. India has made significant progress in areas such as increasing internet penetration, digital literacy, digital government, e-commerce, financial inclusion, instant payments, and goods tracking, among other digital applications²⁴. Consequently, Russian digital technology-focused companies and venture capital firms are at the forefront of business activity between the two countries outside of the traditional government-to-government segment, arguably possessing the most relevant and interesting experience of working with the new India. Although this sector merits a comprehensive investigation, it is noteworthy that there are approximately 70 startups from Russia operating in India, and nearly a dozen venture capital firms with Russian roots investing in India's digital technology sector, with even more in the pipeline. One of the most advanced sectors in this field is EdTech, where Russian companies combine expertise in STEM subjects with strong artistic creativity and necessary adaptation to the local market, responding to India's vast demand for educational and professional qualification services. There are some excellent examples of meeting India's industry needs with Russian digital solutions, which are renowned for their advanced algorithmic foundations.

Russian electronics producers should carefully consider opportunities in India, as the country offers incentives for localized production and has unique experience in scaling low-margin products and services. The business communities of both countries should actively explore opportunities in e-commerce, which has flourished in India and Russia in recent years. Direct access to consumers through e-commerce platforms can compensate for high logistics costs. Consumer-oriented promotional campaigns for "Made in India" and "Made in Russia" products would also be necessary. In addition to the areas already mentioned, the two countries have potential for cooperation in deep tech sectors such as artificial intelligence, big data and analytics, machine learning, as well as FinTech and smart logistics. One important element of support from governments on both sides could be the establishment of regulatory playgrounds and opening them up to participation by Russian and Indian companies. Experimental legal regimes could foster easier bilateral technological cooperation, and the free flow of cross-pollination and testing of ideas, especially between tech startups.

Significant efforts in this regard are being made by the Skolkovo Foundation and Moscow School of Management SKOLKOVO, in collaboration with Indian partners from academia, the Confederation of Indian Industry (CII), Federation of Indian Chambers of Commerce and Industry (FICCI), the National Institution for Trans-

²³ Kulik L., Korovkin V., Kalinin A. India Goes Digital. 2021. From Local Phenomenon to Global Influencer. *Skolkovo Institute for Emerging Markets Studies*. URL: https://ftp.skolkovo.ru/web_team/iems/India_Goes_Digital_SKOLKOVO_IEMS_Research_2021.pdf. (accessed 30.04.2023).

²⁴ Srivastava R., Bardiya A., Kulkarni A., Rithica M. 2022. India's Growth Transformation - Moving Ahead and Moving Up. *ISB – Centre for Business Innovation*. URL: <https://www.isb.edu/content/dam/sites/isb/research-thought-leadership/research-center/cbi/India's%20growth%20transformation%20-%20Moving%20ahead%20and%20Moving%20up%20ISB-CBI.pdf.coredownload.pdf>. (accessed 30.04.2023).

forming India (NITI Aayog), Invest India, and India's leading venture capital companies. Russian trade missions in India, now part of the Ministry of Industry and Trade, and the Russian Exports Centre, are actively working to facilitate the entry of Russian companies into the Indian market. The Ministry of Foreign Affairs of Russia has plans to increase its staff in friendly countries, possibly including India.

Similar efforts are required from the Indian side. Currently, there are no Indian journalists permanently based in Russia, and the coverage of Russian developments in the Indian media is secondary and often just a reiteration of Western views. In this context, developing people-to-people contacts becomes paramount. Encouraging more Indian students to study in Russia and inviting Russian educational institutions to establish their presence in India would help to bridge the gap. Restoring touristic links between the two countries is also essential. Prior to the pandemic, Russia was rapidly emerging as one of the new preferred destinations for Indian tourists, with up to 80,000 Indian visitors annually before 2020²⁵. To enhance tourism, expanding flight connectivity beyond Moscow, Delhi, and Goa, as announced in early 2023, is a crucial step forward. India could increase its attractiveness to Russian tourists by promoting medical and rehabilitation tourism, wellness, and Ayurveda, with creative industries, including filmmaking and animation, also deserving special attention.

However, these efforts will be futile without the timely and well-coordinated steps by the governments of both countries. These steps should include the implementation of secure and protected payment mechanisms, efficient logistics systems, and the removal of visa hurdles. Additionally, high non-tariff barriers to trade are a significant constraint on Russian-Indian economic cooperation (Galistcheva 2019). Many positions, especially in agriculture and related sectors, are currently closed to trade due to mutual restrictions or a lack of official permissions. The revision and easing of these barriers is also the prerogative of both governments.

The number of Russian and Indian banks that transact in national currencies is growing steadily, with pioneering banks such as Sberbank and Yes Bank leading the way. Moreover, non-sanctioned Russian banks and their Indian counterparts continue to employ conventional payment channels in dollars and euros. Meanwhile, discussions between regulators and banks of both countries are ongoing. Synchronizing Russian Fast Payment System and its MIR cards with Indian Unified Payment Interface and Ru-Pay cards, would be a crucial step, as well as the potential establishment of a BRICS reserve currency. As of now, the UAE has emerged as a favorable location for many Russian companies to establish their subsidiaries and work with India and other global markets.

The activation of the North-South multimodal transport corridor, spanning a distance of 7,200 km and connecting Russia, Iran, and India, holds great significance for Moscow, Tehran, and New Delhi. This project is not only of practical importance but

²⁵ Tourists from India can bring up to 1 bln USD to Russia per year. 2022. *ATOP – Association of tour operators of Russia*. December 8. URL: <https://www.atorus.ru/node/50594> (accessed 30.04.2023).

also carries symbolic value, as it retraces the historical journey of the Russian merchant Afanasiy Nikitin from Russia to India and back in the 15th century. Given Russia's current disconnection from many international shipping and logistics systems, the North-South corridor has gained even greater importance.

It is hoped that the necessary efforts will be undertaken to address the various challenges²⁶ that may arise in fully realizing the potential of this project. Russia is actively pursuing a comprehensive strategy for the development of Caspian Sea ports until 2030, with a specific focus on the ports of Astrakhan, Makhachkala, and Olya. Additionally, Russia aims to provide assistance to Iran in achieving its objectives related to the corridor. This strategy is expected to transform the entire Caspian Sea region into a significant international logistics hub, enhancing transport connectivity not only between Russia and India but also with Iran and other countries in the region and beyond.

Conclusion

Similar to India's rapid progress in digital development, Russian-Indian trade and economic relations have the potential to make a significant leap forward after two decades of stagnation. The coordinated efforts of all stakeholders can bear tangible results in stimulating business activity, extending bilateral trade and investment cooperation, as both macroeconomics and individual perceptions of entrepreneurs in both countries have undergone considerable transformations. Russian entrepreneurs have shown significant interest in India's market trends and quickly adapt to India's evolving requirements and capabilities. Similarly, appetite for knowledge of today's Russia gradually shapes up among Indian business circles. This recalibration creates opportunities for extending trade beyond the traditional scope of goods and building new investment connections between the two countries.

The 75th anniversary of India's independence, celebrated widely in 2022-2023, coincides with India's chairmanship in the Shanghai Cooperation Organization and the G20. The G20 Presidency of India is themed around the Sanskrit phrase "Vasudhaiva Kutumbakam" from ancient Hindu texts such as the Maha Upanishad, which means "all living beings on Earth are a family." The phrase has been translated into English as "One Earth, One Family, One Future." In the spirit of traditions dating back to J. Nehru, India aims to offer much-needed healing to a world torn apart by conflict, social hardships, and environmental degradation. Russia is genuinely interested in India's strengthening role in world affairs and economic growth. Significantly, when the two countries cooperate, it serves not only their national interests but also contributes to global stability. In the words of S. Jaishankar, "...as major G20 economies... we are actually helping to stabilize the world economy as well".

²⁶ Sazhin V. 2022. K voprosu o MTK «Sever-Yug»: problemy i perspektivy. [To the Question of International Transport Corridor North-South: Problems and Perspectives]. *The International Affairs*. July 26. URL: <https://interaffairs.ru/news/show/36291> (In Russian) (accessed 30.04.2023).

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Новая парадигма и новые возможности в торгово-экономических отношениях России и Индии

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Сегодня, когда Россия разворачивается на Восток, а Индия продолжает проводить независимую внешнюю политику, возникает уникальная возможность для выхода инвестиционного и торгово-экономического сотрудничества двух стран на качественно новый уровень. Благодаря значительному увеличению поставок в Индию российских энергоносителей и удобрений, а также железа, стали, изделий из древесины, растительных и животных масел объём двусторонней торговли в 2022 году резко вырос, что открывает перспективы приведения российско-индийского экономического взаимодействия в соответствие с официальным статусом отношений двух стран как «особо привилегированного стратегического партнёрства». Вместе с тем рост российского экспорта ставит задачу сокращения увеличивающегося торгового дефицита со стороны Индии, и, шире, поиска нового торгово-экономического баланса, отвечающего интересам обеих стран. Решению этой задачи могут способствовать следующие тенденции: рост индийского промышленного сектора, увеличение покупательной способности индийского среднего класса, а также опережающие темпы цифровизации как в Индии, так и в России. Цифровая трансформация лежит в основе большинства реформ и проектов правительства Нарендры Моди, которые оказывают стимулирующее воздействие на экономику Индии: Aatmanirbhar Bharat («Самодостаточная Индия»), Make in India («Делай в Индии»), Skill India («Обучай Индию»), Startup India («Стартап Индия»). В этих условиях российские предприниматели проявляют интерес к информации о перспективах выхода на индийский рынок, схожий рост интереса к России наблюдается и в индийских деловых кругах. Описанные изменения создают возможность для расширения номенклатуры двусторонней торговли за пределы традиционных групп товаров, а также для построения новых инвестиционных связей.

Ключевые слова: российская экономика, экономика Индии, геополитика, предпринимательство, новые возможности, цифровая трансформация, санкции против России, венчурный капитал, стартапы

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