Developing Russia–India Economic Ties Under New Circumstances

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Introduction

In the current geopolitical situation, Russia is readjusting its long-term asymmetrical gravitation toward the West. At the same time, India continues to steer its independent foreign policy, creating unique opportunities for building qualitatively new cooperation in investment, trade, and the economy between Moscow and New Delhi. For many years, Russian-Indian trade failed to match the in-depth specially privileged strategic partnership and political ties between the two nations. Today, trade is growing at an outstripping pace as Russia rapidly increases its deliveries of Russian energy sources, fertilizers, iron, steel, timber products, plant and animal oils to India.

Given the increase in Russian exports, Moscow and New Delhi now face the task of reducing India’s growing trade deficit, by searching for new trade and by rebalancing the economy in a way that aligns with both countries’ interests. India faces a growing industrial sector, increasing purchasing power of its middle class, and greater digitization trends that have recently been picking up pace both in India and in Russia. This creates urgent objectives in bilateral economic cooperation, demand in new investment ties, and expands trade beyond traditional commodities. India’s economy has also been significantly stimulated by Narendra Modi’s key governmental projects such as “Aatmanirbhar Bharat” (or “Self-Sufficient India”), “Make in India”, “Skill India”, “Startup India”, just to name a few. These and many other reforms implemented by Narendra Modi are based on digital transformation.

Russian entrepreneurs are greatly interested in India’s market trends and are quickly accumulating knowledge of today’s India’s changing needs and opportunities. Likewise, similar trends and a thirst for knowledge of today’s Russia are being gradually manifested by Indian business circles.

Consequently, now is the time to consider in detail Russia–India cooperation in investment and trade, analyze the options of diversifying bilateral economic ties in the near future, and outline the obstacles currently obstructing their development. Eliminating those obstacles should be the focus of all the interested parties.

Misalignment: Political Partnership and Economic Cooperation

For various reasons, the scale of Russia–India cooperation has for a long time been misaligned with the deep, high-level political ties between the two states. In 2014 to 2019, trade totaled around USD 9 to 11 billion. The 2020–2021 pandemic morphed into an additional obstacle disrupting the expansion of Russia–India economic cooperation. In fact, the pandemic resulted in indicators falling, albeit for a short while. In 2021, Russia–India trade reached USD 13.56 billion (see Table 1).

Back in 2014, Prime Minister Narendra Modi and President Vladimir Putin identified trade development and bolstering economic ties as priorities in developing bilateral relations. Back then, the goal was to achieve a trade volume of USD 30 billion and investments of USD 50 billion by 2025.

At the 2018 St. Petersburg International Economic Forum, Russia’s Ministry of Economic Development announced establishing a “one-stop” service for supporting Indian companies.
In 2017, India set up a similar service, “Invest India”, a national investment promotion and facilitation agency, established a special department, “Russia Desk”, to work with Russian companies and serve as a convenient consulting platform for Russian businesses investing in India. The many institutions working towards developing contacts between the two countries’ business communities and other tasks include the following bodies: the Russian Export Center, the Far Eastern Agency for Attracting Investment and Supporting Export, Business Russia (a public organization), SKOLKOVO Moscow School of Management, and the Skolkovo Foundation, the National Institution for Transforming India (NITI Aayog), India’s Ministry of Science and Technology, India’s Ministry of Petroleum and Natural Gas, and other agencies, and also the Confederation of Indian Industries (CII), the Federation of Indian Chambers of Commerce and Industry (FICCI), the Indian Chamber of International Business (ICIB), the Associated Chambers of Commerce and Industry of India, and other organizations. Jointly, Russia’s Ministry of Economic Development and NITI Aayog held the Russia–India Strategic Economic Dialog (RISED) which established six coordination committees per the number of cooperation priorities: transportation, agriculture, digital transformation and technologies, support for small- and medium-sized business (SMB), trade and banking, and tourism. The dialog’s sessions were held in St. Petersburg in 2018, in New Delhi in 2019, and as a videoconference in 2021. Difficult negotiations are ongoing on establishing a free trade zone between India and the Eurasian Economic Union (EAEU), but there are no reports on signing a relevant agreement in the near future.

The two states set their task to identify and eliminate the hurdles that hamper investment and trade development.

The Russian Far East, a large territory meant to become Russia’s business card in Asia, is open for Indian businesses and is intended to serve as a venue for deepening the two countries’ economic partnership. Prime Minister Narendra Modi was the guest of honor at the 5th Eastern Economic Forum in Vladivostok in 2019 where he announced the slogan “Act Far East!” It was then that many Indian entrepreneurs first started thinking about the region’s tremendous economic potential. That momentous visit was followed by an announcement of developing

<table>
<thead>
<tr>
<th>Year</th>
<th>Russian exports into India</th>
<th>Russian imports from India</th>
<th>Trade volume</th>
<th>Annual change%</th>
</tr>
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<tbody>
<tr>
<td>2010</td>
<td>6.39</td>
<td>2.14</td>
<td>8.53</td>
<td>14.4</td>
</tr>
<tr>
<td>2011</td>
<td>6.09</td>
<td>2.79</td>
<td>8.89</td>
<td>4.19</td>
</tr>
<tr>
<td>2012</td>
<td>7.91</td>
<td>3.04</td>
<td>10.95</td>
<td>23.8</td>
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<tr>
<td>2013</td>
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<td>3.10</td>
<td>10.11</td>
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<td>3.17</td>
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<td>5.58</td>
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<td>-17.67</td>
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<td>5.23</td>
<td>2.36</td>
<td>7.59</td>
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<td>2.90</td>
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<tr>
<td>2021</td>
<td>9.13</td>
<td>4.43</td>
<td>13.56</td>
<td>45.64</td>
</tr>
</tbody>
</table>

Source: Compiled by the authors from sources citing Russia’s Federal Customs Service data.

Table 1. Russia–India bilateral trade in 2010–2021 (USD billion)


a maritime corridor between Vladivostok and Chennai. This route is intended as an important new transportation link connecting the Russian Arctic and the Far East with India.

The two countries found it very difficult to achieve the desired level of trade. The 2020–2021 pandemic became an additional obstacle in the way of expanding Russia–India economic cooperation. The geopolitical consequences of the Ukrainian crisis and its exacerbation in 2022 produced profound structural changes on global markets, which gave a truly new impetus to Russia–India trade.

Cooperation in Energy

Russia–India energy cooperation has deep historical roots. Some of India’s crucial oil and gas fields and coal deposits (particularly in the states of Gujarat, East Bengal, Assam, Tamil Nadu, Jharkhand, Chhattisgarh) were discovered and developed with the USSR’s support. Recently, energy has become a key area in the two countries’ strategic cooperation. Yet until quite recently, direct deliveries of energy resources were not the principal component of the Russian–Indian “energy bridge”. As of 2013, Russia accounted for only 1% of Indian energy imports (less than USD 1 billion). Its principal elements included cooperation in nuclear energy and investment into oil and gas assets. For instance, Rosatom is implementing a massive multi-stage project: it is constructing the Kudankulam NPP; two out of the NPP’s six power units are already fully operational, while the third and fourth units are at an advanced construction stage.

India’s largest oil and gas companies such as ONGC Videsh Ltd. (OVL), Bharat Petro resources Ltd., Indian Oil Corporation, Oil India Ltd. invested a total of about USD 16 billion into Russian assets in Sakhalin 1, the Vankor oil and gas field, Taas-Yuryakh Oil and Gas Production, Imperial Energy. Rosneft acquired India’s Essar Oil Limited and is now developing the port and oil refinery in the city of Vadinar, Gujarat. Rosneft also manufactures petrochemicals and is developing a retail chain. Additionally, talks are underway on India possibly investing into Russia’s Vostok Oil and Arctic LNG-2 projects. Gazprom, Novatek, Stroytransgaz are expanding their presence in the Indian market since recently. India’s government has been steering a strategic course for expanding gas consumption and developing the relevant infrastructure, and it opened up new opportunities for Russian companies. In October 2021, under a long-term contract between Gazprom and GAIL Ltd., India received the first direct LNG delivery from Novatek’s Yamal enterprise. The cargo trav-

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10. Ibid.
12. Ibid.
15. Rosneft signed a contract with Indian Oil to deliver up to 2 m tons of oil to India // Rosneft. December 06, 2021. URL: https://www.rosneft.ru/press/release/item/208725/ (in Russian); Rosneft sold one third of the Taas-Yuryakh oil deposit to Indian companies // RBC. March 16, 2016. URL: https://www.bbc.ru/rbcfreenews/56e938cf9a7947368c55b5f4 (in Russian)
eled along the Northern Sea Route, the Pacific and Indian Oceans and arrived at GAIL’s terminal in the city of Dabhol (Maharashtra state) on India’s west coast. In 2022, Russia’s and India’s natural energy complementarity was buttressed by external factors, primarily the unprecedented anti-Russian sanctions that caused a major price hike in energy prices on global markets and delivery interruptions. Connections between the two states are being actively developed within the “energy bridge” that entails trade and investment in oil, gas, liquefied gas, nuclear power, and coal mining and processing. Starting in June 2022, market analysts regularly reported Russia now delivering more oil to India than Iraq and Saudi Arabia, that both had, until recently, been its principal suppliers. In October 2022, Russia became India’s top crude oil supplier accounting for 22% of Indian imports (Iraq accounted for 20.5%, while Saudi Arabia accounted for 16%). In October, Russian crude oil deliveries to India were estimated at 970,000 barrels a day on average (in September, this figure was 942,000 barrels a day). In November 2022, 40% of Russia’s exported Urals oil went to India. India has one of Asia’s strongest petrochemical industries, this sector accounts for about 12% of Indian exports. Notably, India manufactures 15% of its petrochemical products from Russia’s oil. Russia was reported to offer substantial discounts for Indian buyers, while both countries’ officials have emphasized and continue to emphasize that this trade is mutually advantageous (see Table 2). Investment cooperation in the oil and gas sector continues: ONGC Videsh Ltd. confirmed that it intends to continue its involvement with Sakhalin-2 projects where it owes 20% of stock. India’s public companies are also interested in purchasing the stocks of those western energy actors (ExxonMobil, Shell, BP) that had decided to withdraw from Russia. However, no decisions on the matter have so far been announced.

Table 2. Russian oil sales to India: growth dynamics (per thousand barrels a day)

<table>
<thead>
<tr>
<th>Year</th>
<th>Average figures</th>
<th>Unadjusted for seasonal fluctuations</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2019</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2020</td>
<td>0</td>
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</tr>
<tr>
<td>2021</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2022</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: Financial Times


Russia becomes India's top oil supplier as sanctions deflate price // The Financial Times. November 08, 2022. URL: https://www.ft.com/content/f01161be-189f-4f69-918f-fd2a1f0fa1e3


Russia's government allowed ONGC and Sodeco to obtain shares in Sakhalin-1 // TASS. November 14, 2022. URL: https://tass.ru/ekonomika/16319165 (in Russian)

Russia becomes India's top oil supplier as sanctions deflate price // Financial Times. URL: https://www.ft.com/content/f01161be-189f-4f69-918f-fd2a1f0fa1e3
Tata Group was virtually the only Indian company to have decided to withdraw from the Russian market. Back in 2021, Tata Power that was licensed in 2017 to develop a coal deposit in Kamchatka suspended work on the project (motivating it by its new focus on renewable energy), and in 2022 announced its plans to surrender the license.

In April 2022, Tata Steel, one of the oldest companies in the famous group, announced its intent to stop coal purchases and no longer do business with Russia.

In addition to companies that continue working with Russia, there are new Indian actors interested in the Russian market where buyers are now looking for replacements for European equipment in oil processing, mining, food industry, printing, car manufacturing, medical equipment, and other sectors. Under the new circumstances, Indian exporters strive to expand supply channels, resolve payment issues and logistical matters. The crucial task for both states is to put bilateral financial and commodity flows outside Western control.

India’s rapid post-pandemic economic rebound also prompted larger purchases of Russian coal.

**India’s Neutrality and Independent Politics**

India’s leadership is subjected to major pressure both from the West and the domestic opposition over its neutral stance toward Russia’s special military operation (SMO) in Ukraine. Indian officials are being criticized over increased purchases of Russian energy sources while US authorities, for instance, emphasize the way in which the alleged benefits India may gain from the Russian oil price cap Washington is spearheading.

Nevertheless, in interviews to Western media, India’s Minister of Petroleum and Natural Gas Hardeep Singh Puri preferred to avoid answering directly whether India is going to join G7’s Russian oil price cap. He also defended India’s unflinching intent to diversify its suppliers stressing that India acts in pursuance of its national interests and the interests of its citizens. When the price cap was introduced, Minister of Foreign Affairs Subrahmanyam Jaishankar said in response to questions from members of the upper house of India’s parliament, “We do not ask our companies to buy Russian oil. We ask our companies to buy oil what is the best option that they can get. Now it depends on what the market throws up.”

Domestic political and macroeconomic stability guarantee India’s continued successful development. Recently, the country has faced the problem of inflation and the weakening rupee.

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24 India’s Tata Power is dissolve its “subsidiary” in Kamchatka // Interfax. June 02, 2022. URL: https://www.interfax.ru/business/844243 (in Russian)
27 India’s Tata Power is dissolve its “subsidiary” in Kamchatka // Interfax. June 02, 2022. URL: https://www.interfax.ru/business/844243 (in Russian)
29 https://www.interfax.ru/business/844243 (in Russian)
Given India’s extremely high dependence on imported energy sources, these circumstances give access to energy sources crucially important for India’s leadership. Major energy spending may deliver a blow to India’s financial system, complicate business operations, produce social tensions, and grave domestic political consequences for the ruling Bharatiya Janata party.

Russia profoundly respects India’s consistent approach to maintaining strategic autonomy. Addressing the plenary session of the Valdai International Discussion Club in October 2022, Vladimir Putin spoke very highly of India’s independent approach to its politics using a very stark comparison, “We have a special relationship with India that … was built on the foundation of a very close alliance that existed for many decades. We have never had any issues with India. I want to emphasize this, never. All we ever did was support each other. This is what is happening now, and I am sure it will continue in the future. … Prime Minister [Narendra] Modi is one of the few people in the world who can pursue 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.”

The above-mentioned rapid spike in deliveries of energy sources and fertilizers, as well as iron and steel, timber products, plant and animal oils, and agricultural products, India’s imports from Russia increased by 430% compared to the average monthly figures from the last five years. Russian exports to India from January to September of 2022 are estimated at USD 27 billion. Russia is now India’s seventh-largest trade partner, up from 25th, after the US, China, the UAE, Saudi Arabia, Iraq, and Indonesia.

Already by August of the current fiscal year, Russia–India trade exceeded USD 18 billion. It is very likely that the two countries will reach the desired level of trade, USD 30 billion, well ahead of schedule. However, trade itself is becoming increasingly unbalanced. Dropping Indian exports negatively affects India’s already-large balance-of-payments deficit in Russia–India trade, which is concerning for the Indian government.

New Objectives and Opportunities in Changed Circumstances

Therefore, new tasks for both parties include balancing out trade imbalances and diversifying areas of possible economic cooperation. On his visit to Moscow in November 2022, India’s Minister of Foreign Affairs Subrahmanyam Jaishankar was accompanied by high-ranking officials from several Indian ministries: finance, trade, agriculture, petroleum and natural gas, ports, shipping and waterways, chemicals, and fertilizers. Mr. Jaishankar held talks with his Russian counterpart Sergey Lavrov and, together with Russia’s Deputy Prime Minister Denis Manturov, attended a meeting of the Inter-governmental Commission on cooperation in trade, economy, science, technology, and culture. The media reported that before the visit, Russia’s Ministry of Industry and Trade sent India (and other friendly countries) a list of components required by large Russian manufacturers. Indian officials said that the list was unusual in its scale.

At a joint press conference with Mr. Lavrov following the first round of talks, Mr. Jaishankar stressed “significant growth” in bilateral trade this year and said the two ministers focused on making it more sustainable. He also said that India is “naturally concerned” at the trade imbalance and raised “impediments that stand in the way of greater Indian exports.”
A pivot to Asia currently underway, not only in Russia’s political circles, but also in the hearts and minds of Russian intellectual and business elites.

They are palpably disappointed over the stance Western partners assumed toward Russia and are coming to grips with the idea that political re-orientation is inevitable and irreversible. Russia is a Eurasian state with the bulk of the country located in Asia. Russian strategists and decision-makers have long focused on Russia’s pivot to the East. This focus was mostly clearly manifested in Moscow’s attention to Russia’s eastern regions and in the many initiatives intended to transform Vladivostok into the most important Russian city in Asia. Nonetheless, the infrastructure for this re-orientation is emerging very slowly, and the majority of Russian business leaders have rarely viewed the pivot to the East as something that goes beyond its usual cooperation with China.

Today, however, Russia exhibits tremendous interest in India and wants to get to know this country better. It is partially connected with Russian companies having to move beyond that part of the world they know well and feel most comfortable in. This interest largely manifests from the independent political course India is staunchly supporting. However, the desire to understand India better and to research new emerging opportunities in the Indian market mostly stems from the recent major changes in India’s economy. In addition to the incredible leap India has made in its technological development, these changes are impossible to ignore.

Unlike before, there are no clear political instructions “from the top” to develop business with India. However, leaders of large private and public corporations who have previously visited the country as governmental delegations, have come to view India from a different perspective. Members of younger and more flexible companies specializing in hi-tech solutions manifest an even greater interest in India and are on the cutting edge of a possible new discovery in India.
The new generation of Russian entrepreneurs have a very realistic view of difficulties that may arise when working with India. They do not have any overblown expectations typical for the Soviet and post-Soviet eras. Instead, they exhibit more natural curiosity and thirst for practical knowledge; they are quick learners. Russian Indology schools have traditionally been very strong since the Soviet Union and its friendly relationship with India; now they are bolstering their standing and pool their efforts with institutions in charge of business assistance and training entrepreneurs. Joint training and internship programs with India are being established, aiming to raise the Russian business community’s awareness of the changes in India, generalizing the experience of working with the country, while also sharing lessons and best practices from those who already work in the Indian market.

Today’s India: Not So-Well Known in Russia

India is going through many changes. For instance, its per capita income is noticeably increasing. Today, the GDP per capita in India is about USD 2,500. This figure is growing at the annual rate of 5–6%, and in the next 3–4 years, it will reach the economically significant mark of over USD 3,300\(^\text{50}\). Even though there is no universally accepted methodology and there are differences in calculations, in Indian estimates, middle-class is expected to expand from 14% in 2004–2005, to 46% in 2030, and to 63% in 2047\(^\text{51}\). Few people know that after introducing a new national Goods and Services Tax (GST) in 2017, India created a previously non-existent single market of goods and services that spanned the country’s entire population, i.e., over a billion people\(^\text{52}\). Together, these factors indicate that India’s huge population will soon be able to become a more tangible and predictable market for companies. Fragmentation, a small consumer base, and low disposable incomes have always been a constraining factor and a roadblock for Russian companies that considered entering the Indian market\(^\text{53}\).
Another subject that perhaps Russian businesses miss; how important the climate agenda is for India. Although Russia’s and India’s official stances on the global climate change are similar in many ways, Russian companies still frequently fail to comprehend how important it is for India’s people, companies, and political leadership to counter climate change. This lack of awareness is only exacerbated by Russia–India trade being focused on oil, coal, and fertilizers.

However, changes in the Indian economy effected by the climate agenda are tremendous and they open new opportunities for Russia–India cooperation. India is set to significantly increase the share of renewable energy in its energy balance, to quicken the pace of transportation decarbonization, and to reduce energy consumption by improving the energy efficiency of equipment, buildings, and the country’s entire infrastructure. That creates a whole range of new areas for cooperation that ties into India’s energy agenda; Russian companies could take a closer look at this and build on this. For instance, many of India’s power grid facilities, particularly its coal power plants, need modernization. Other areas relevant for today’s India are smart networks, distributed power systems, the manufacture of inexpensive solar panels, advanced materials and cutting-edge energy efficiency technologies, the massive development of gas transportation and gas distribution infrastructure, and the modernization and further development of railroad infrastructure. India actively supports the development of state-of-the-art biofuel, energy-efficient cooling systems, and “green” hydrogen technologies. New cooperation opportunities appear in industrial digitization, smart transportation systems, water treatment, air quality monitoring, waste disposal, and utilities. India’s climate agenda aligns with Russia–India cooperation in nuclear power and gas supplies (including regasification of liquefied natural gas). New Delhi is also interested in jointly developing and building liquefied gas tankers. Contrary to Russian proposals, hydropower, on the other hand, may prove to be not a particularly promising area for cooperation (particularly, from the point of view of building new hydropower plants in India). With large hydropower plants already built, India is highly likely to abandon the plan for developing small HPPs in the Himalayas over high environmental risks; such projects carry for fragile mountain ecosystems. In the near future, Russia could also play an important role in supplying India with nickel, copper, cobalt, lithium, and other rare non-ferrous metals that are indispensable in transitioning to green economy and enjoy increasingly greater demand on global markets.

Today, India’s falling exports to Russia mostly comprise pharmaceuticals, organic chemicals, and various equipment. Russian business leaders are not particularly familiar with the achievements of previously mentioned large-scale governmental programs such as “Aatmanirbhar Bharat” (or “Self-Sufficient India”), “Make in India”, “Make for the World”, and the Indian leadership’s ambitious plans for diversifying and bolstering the country’s manufacturing sector. India’s large-scale plans for taking China’s place as new “workshop of the world” could become an important factor in expanding India’s exports to Russia. In this regard, the electronic sector is prioritized; various measures are planned and multi-billion-dollar investments are earmarked in this area, possibly stimulating the development of India’s own manufacturing and exports. Currently, India is the world’s second-largest smartphone manufacturer. It has an Apple plant which is manufacturing the company’s most advanced products. Plans involve building a large industrial cluster specializing in semiconductor manufacturing, as well as other electronic components for Foxconn. Indian electronics manufacturers, for instance, Dixon Technologies, BoAt, and others, have established themselves in the country and are bolstering their standing both in the consumer segment and on the B2B sector. Simultaneously, while advancing its traditional car manufacturing and producing spare parts, India is also banking on electric car manufacturing; in the near future, it plans to take over a large part of the global electric vehicle market, particularly in the two- and three-wheeled-vehicle segments. Further development and modernization are also planned for the textile industry.
Topical Cooperation Format

As of today, Indian business priorities are mostly focused on servicing the growing domestic demand. India is also hoping to edge out China on the US market: factors supporting this includes both the ongoing political situation and the fact that the US now is the top importer of Indian commodities\(^{56}\).

Although Indian businesses are actively studying the opportunities emerging on the Russian market, Russian entrepreneurs will likely play a leading role in building bridges between the Russian market and the expanding Indian manufacturing services.

As for opportunities for Russian exports and joint Russian-Indian technological projects, the most promising areas here are energy engineering, shipbuilding, the space sector that has recently been opened for private investment. Russia is known to specialize in building successful prototypes while India has a unique experience in effective production scaling and product distribution. Pooling Russia’s know-hows and India’s manufacturing capacities would also benefit both countries.

India is not in any way biased against Russian business. There are still positive associations carried over from the time of the Soviet-Indian friendship: Russian solutions are seen as high-tech, reliable, and simple to use. Indian partners also see Russia as offering well-designed digital products and making commodities that are equally well-designed, environmentally friendly, and that applies both to business solutions and consumer goods. There also remains warm associations in India in regards to Russia’s rich culture. On the other hand, India’s media and entrepreneurial community still harbor several misconceptions concerning Russia’s economy and business environment. For instance, they have a strongly exaggerated or outdated idea of the Russian ruble’s volatility. They underestimate Russia’s macroeconomic stability. They are not particularly aware of the growing competitive edge of Russian solutions and products. Russian entrepreneurs need to remember that, contrary to popular opinion, the price factor alone does not always outweigh all other considerations for Indian partners; they are also interested in post-sales service, a secondary market, localizing manufacturing, and creating new jobs.

Russian development engineers would do well to consider the “Make in India – Sell Worldwide” format and to work more actively with Indians on third-country markets, for instance, in Africa, Asia, and the CIS. When many sectors in Russia, particularly industry and construction, experience a labor shortage, they need to be more receptive to India’s proposals of employing Indian staff for specific projects. India sees itself as a harbor for the global economy’s talent and labor pool. Employment, improving accessibility and quality of all kinds of education, including vocational technology-related education, are at the top of India’s top priorities, which explains why these matters are crucial for the bilateral Russia–India agenda.

Digitization as a Cooperation Driver

The crucial similarity factor between Russia and India today is that the two countries are simultaneously undergoing the digitization progress. Russian hi-tech experts are quite aware of India’s rapid success on the digital transformation path and of the concomitant spike in entrepreneurship and the rapid development of venture investment\(^{57}\).

Recently, India has made major progress in expanding its population’s Internet access and improving digital literacy, in developing digital government, e-commerce, financial inclusion, and instant payments, in commodity tracking, and in many other digital areas. Consequently, Russia’s few, but energetic venture companies and digital technologies companies are on the cutting edge of business activities between the two states (beyond the traditional sectors and

\(^{56}\) Exports into the US have accounted for 18% of India’s overall exports in 2021 totaling USD 71.5 bn. // UN COMTRADE.
URL: https://tradingeconomics.com/india/exports-by-country

\(^{57}\) Kulik L., Korovkin V., Kalinin A. 2021. “India’s Digitization. From a Local Phenomenon to a Global Influence Factor” // Institute for Emerging Market Studies (IEMS), Moscow School of Management SKOLKOVO.
the public sector). Presumably, they have the most interesting and relevant experience of working with the new India. This sector merits a special study, but we will mention here that about 70 Russian startups are present in India today, and over 10 investment companies of Russian origins are working on the Indian market with those Indian and Russian companies that are in some way connected with the digital economy. Even more companies are gearing up to enter India’s market. There are several examples of Russian digital companies, known for their advanced algorithmic solutions, meeting the needs of India’s industry and successfully developing cooperation with large Indian actors.

Education technology, or EdTech, is currently one of India’s most developed sectors that is also in very high demand. India’s EdTech market is developing explosively due, among other things, to tremendous Indian demand for education and further professional training, to increasing incomes, to spread digital-related technology, and to compete with China’s restrictive policies on foreign participation in Chinese EdTech, which resulted in India outperforming China in that area58. EdTech is an area where Russian companies have a propitious combination of in-depth competences in natural and exact sciences (the so-called STEM-related subjects that are highly demanded in India) as well as creative design. In other words, Russians have the required adaptability to both understand Indian preferences and the related circumstances.

Entrepreneurs in both countries are actively testing the mechanisms of e-commerce that has recently flourished in Russia and India. Direct access to consumers via e-trade sites could partially offset high costs of logistics between the two countries. Developing this format will require massive advertising campaigns like “Made in India” and “Made in Russia.”

Both countries could offer support by creating so-called “regulatory sandboxes” and opening them to Russian and Indian companies in order to help simplify, via experimental legal regimes, bilateral technological cooperation and promote cross-testing of ideas, particularly among technological startups. Jointly with their partners in Russia and India (members of scientific and academic circles, public organizations and agencies, and private corporations), such institutions like the Skolkovo Foundation and the SKOLKOVO Moscow School of Management; both work tirelessly work in these related areas. While SKOLKOVO Moscow School of Management channels its efforts into organizing and holding educational programs for Russian and Indian businesses in both countries, the Skolkovo Foundation sets itself the goal of accelerating the entrance of Russian tech companies into India’s market, establishing connections with potential clients and partners59.

The Russian trade mission in India (currently part of the Ministry of Industry and Trade) and the Russian export center support the efforts of Russian companies studying the Indian market. The number of assistance and consultation requests concerning the Indian market received by these agencies has increased several-fold. In response to the greater business and political activity in this area, Russia’s Ministry of Foreign Affairs also plans to significantly expand its staff in friendly countries including India.

People-to-People Contacts Are Important Like Never Before

India also needs to uphold reciprocal rapprochement efforts. Currently, there is not a single Indian journalist permanently working in Russia. Indian media offer no first-hand coverage of events in Russia; frequently, their coverage boils down to re-broadcasting the Western perspective of the country. In such a situation, humanitarian connections and people-to-people contacts move to the fore. Larger numbers of Indian students could study in Russia; Russian universities should also consider opening their campuses in India. Restoring tourist ties is also important. Before the pandemic, Russia was among the top new destinations for Indian

58 The world’s most expensive EdTech company is India’s Byju’s founded in 2011; its capitalization is estimated at USD 22 bn. Source: World’s Biggest EdTech – BYJU’S // Corporate Review. URL: https://thecorporaterreview.com/worlds-biggest-edtech-byjus/

tourists. Noticeably more Indian guests could be seen in the streets of Moscow, St. Petersburg, and other cities. More flights between Russian and Indian cities going beyond the traditional destinations would be a vital step toward further tourism and business contract development. In Russia, India could become another attractive destination in medical and rehabilitation tourism, yoga, and Ayurveda. Creative industries, including the film industry and animation, also deserve greater attention. There is demand in Russia for today’s Bollywood products, yet, beyond the few festival screenings, they rarely reach their audiences both in movie theaters and on popular online platforms. People in Russia in charge of the film repertoire on such platforms are also likely in thrall to certain outdated stereotypes.

**The Main Barriers: Logistics, Visas, Non-Tariff Restrictions**

Without the governments of both countries taking prompt, well-coordinated steps, all the efforts of Russia’s and India’s business communities to “build bridges” will be wasted. This primarily applies to financial mechanisms, logistics, and eliminating visa restrictions. High non-tariff barriers are among significant impediments in the way of Russia–India economic cooperation, as such they require attention from both Moscow and New Delhi. Permits from both countries’ regulators, particularly to import agricultural, animal husbandry, and fish products still posit a major difficulty. Despite India having significantly improved its standing in various doing business rankings, problems with red tape, an overburdened judicial system, and complicated land relations remain acute.

Currently, several Russian and Indian banks successfully work with payments in national currencies, and the number of such banks is increasing. So far, many Indian banks are chary of such transactions and prefer to guard themselves against possible inspections from Western regulators. Traditional payment channels in dollars and euros also work between Indian banks and those of their non-sanctioned Russian partners. Synchronizing Mir and RuPay, Russia’s and India’s payment systems, could become an important step toward bolstering the cohesion of the two countries’ payment systems. Additionally, BRICS reserve currency is under discussion. At the same time, countries such as the UAE have become convenient hubs where Russian companies set up subsidiaries to work with India and other Asian and Middle Eastern countries.

Development and uninterrupted functioning of the multimodal North-South transportation corridor linking Russia, Iran, and India is a priority for Moscow, Tehran, and New Delhi. This project is also symbolic since in the 15th century, when the famous Russian merchant Afanasy Nikitin traveled along roughly the same route from Russia and India and back. Today, when Russia is isolated from virtually all international logistics systems, the North-South corridor has become particularly important for Moscow. Russia is implementing its 2030 Maritime Port Infrastructure Development Strategy that gives special priority to the Caspian Sea ports such as Astrakhan, Makhachkala, and Olya. Russia also intends to assist Iran in the development of its section of the North-South corridor. Implementing this strategy will contribute to developing the much-needed transportation route between Russia, India, and Iran, and will also transform the entire Caspian region into a major international logistics hub. Soon, the Chennai–Vladivostok (Vostochny Port) transportation corridor will become operational. This route is 10,300 kilometers long; trial runs showed a 17-day travel time. This corridor is particularly important for the Russian Far East, Yakutia, and joint Russia–India projects in the region, as well as links India with the Northern Sea Route.

Similarly, as is India is leaping forwards in its digital development, Russia–India trade and economic relations today, after two decades of stagnation, truly have a potential to transition into a qualitatively new level.
Concerted efforts of both countries may produce significant results in stimulating entrepreneurship, expanding cooperation in trade and investment as both the macro-economy and entrepreneurs’ personal perceptions of available opportunities have changed greatly in both countries.

India’s 75th independence anniversary celebrated in 2022–2023 with the Azadi ka Amrit Mahotsav (Great Independence Festival) initiative coincides with India’s presidency in the Shanghai Cooperation Organization (SCO) and in the G20. India’s G20 presidency started on December 1, 2022 with the slogan “One Earth, One Family, One Future” inspired by a quotation from the ancient Hinduist text Maha Upanishad that reads “Vasudhaiva Kutumbaka” meaning “all living creatures of Earth are a family” in Sanskrit. True to the traditions set down by Jawaharlal Nehru, India aims to continue to exert the much needed “healing influence on the world” driven by conflicts and darkened by tensions and environmental disasters. Russia is sincerely interested in bolstering India’s standing in international relations and its economic growth. Russia–India cooperation both meets the national interests of the two countries and promotes global stability as it advances, as Subrahmanyam Jaishankar said, the successful development of the global economy.

Conclusions and Recommendations

Today, concerted efforts of all the interested parties, primarily Russia’s and India’s governments, could produce tangible results in bringing economic cooperation to fruition by increasing investment and trade, as well as by evening out the emerging trade imbalances.

The leadership and business circles of both countries have already demonstrated their great adaptivity to unfavorable external circumstances, and the ability to counter them, be it the financial shocks of 2007–2008 or the COVID-19 pandemic in 2020–2021. Despite current difficulties, new opportunities for Russia and India stem from significant macroeconomic changes in both states, and from the entrepreneurs of the two states, particularly those in Russia, changing their perceptions regarding cooperation potential.

The new stage in developing bilateral relations should prioritize the following tasks:

First, in order to bring to fruition, the available opportunities going beyond traditional bilateral trade areas, the leadership of both countries, their institutions, academic circles, and media should focus more on actively informing Russia’s and India’s business circles and civil society about economic and social trends emerging in the two states, as well as relevant development tasks.

Second, financial infrastructure, transportation and logistics connections need to be urgently developed and enhanced.

Third, the most important task for the both the governments of Russia and India is to safely secure bilateral financial and commodity flows from Western control. It will allow for the expansion of Russian imports from India, and exports to India; businesses in both states are seeking for ways to increase them. Non-tariff barriers that limit bilateral trade should be reviewed in close cooperation with the businesses of both states and account for the changed circumstances.

Fourth, people-to-people contacts should be expanded. Tourism and creative industries need to be prioritized. Excessive visa restrictions also need to be reviewed.

If provided that a proper political course is steered and leadership attention is placed on businesses, the two countries’ entrepreneurs will succeed; new opportunities to expand bilateral economic cooperation and bolster their standing in new areas will be met with success, especially since the shifts in international relations and in global markets are conducive to such developments.

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