



Developments in India-Russia economic relations: Stock taking from the 1st India-Russia Strategic Economic Dialogue

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Abstract

India and Russia share a special and privileged partnership. The two countries marked 71 years of diplomatic relations in 2019. To keep the strategic partnership rejuvenated, including in the economic sector, India and Russia are exploring several avenues of cooperation. The bilateral trade between the two countries reached US\$ 10.17 billion in 2017. It was hailed as a positive outcome by the two leaders, Indian Prime Minister Narendra Modi and Russian President Vladimir Putin during the 19th Annual Summit in 2018. During the Summit, one of the action points was to hold the 1st India-Russia Strategic Economic Dialogue to further boost economic sector cooperation between the two countries.

Introduction

The 1st India-Russia Strategic Economic Dialogue (IRSED) immediately followed the Annual Summit. The IRSED was held in St. Petersburg on 25-26 November 2018.



Source: 1st India-Russia Strategic Economic Dialogue (IRSED) at St. Petersburg, 25-26 November, 2018, *Roscongress*¹

¹<https://roscongress.org/en/news/v-peterburge-sostojalsja-pervyj-rossijsko-indijskij-strategicheskij-ekonomicheskij-dialog/>

India and Russia were represented by the National Institution for Transforming India (NITI) Aayog and the Ministry of Economic Development of the Russian Federation respectively in the dialogue. The key focus areas that were discussed and are outlined in the joint statement wereⁱⁱ:

- Development of transport infrastructure and technologies
- Development of agriculture and agro-processing sectors
- Small and medium business support
- Digital transformation and frontier technologies
- Industrial cooperation and trade

Since the 2018 annual summit between India and Russia, including the IRSED, the bilateral relationship between the two has grown considerably.

This paper discusses five focus areas as discussed during the Economic Dialogue. The primary source of analysis for the paper is the joint statement following the results of the IRSED. The paper also suggests some recommendations to further develop the relationship between the two countries.

Development of transport infrastructure and technologies—In this sector the two sides agreed to develop a system of digital documentation and satellite technologies for cargo-movement monitoring and its unimpeded and safe border crossings in the INSTC framework.ⁱⁱⁱ This year, a Russian company, RT-Invest Transport Systems (RTITS), won the tender for the introduction of a toll-based satellite navigation system under GLOSNASS. Another company, Platon, has begun introduction of a fare payment system based on the GLONASS on the New Delhi-Mumbai highway. It is expected to generate revenue through its operations at least up to US\$ 2-3 billion per year.^{iv} It is a huge sum of money and if successful then this system can also be thought of in collaboration with the other member countries of the International North South Transport Corridor (INSTC) and Chabahar Port.

Development of agriculture and agro-processing sectors- In the second focus area of the economic dialogue, both sides noted that there was a reduction in the number of students enrolled in agricultural universities. To address this, they agreed to strengthen cooperation in the field of exchange of students and highly qualified personnel in the agriculture sphere, implementation of joint projects and joint research.^v Apart from these initiatives, however significant of this sector, namely the lack of interest of people to take up this profession will

ⁱⁱ“Joint Statement following the results of the 1st India-Russia Strategic Economic Dialogue”, Press Information Bureau Government of India NITI Aayog, February 2, 2019. [file:///C:/Users/Dr%20Indrani/Downloads/Joint%20Statement%20following%20the%20result%20of%20the%201st%20India-Russia%20Strategic%20Economic%20Dialogue%20\(1\)%20\(1\).pdf](file:///C:/Users/Dr%20Indrani/Downloads/Joint%20Statement%20following%20the%20result%20of%20the%201st%20India-Russia%20Strategic%20Economic%20Dialogue%20(1)%20(1).pdf) (Accessed on May 8, 2019).

ⁱⁱⁱIbid.

^{iv}Dipanjan Roy Chaudhury, “Russian GLONASS launches service for India's transport sector”, Economic Times, February 11, 2019. <https://economictimes.indiatimes.com/industry/miscellaneous/russian-glonass-launches-service-for-indias-transport-sector/articleshow/67947740.cms?from=mdr> (Accessed on May 10, 2019).

^vJoint Statement following the results of the 1st India-Russia Strategic Economic Dialogue”, Press Information Bureau Government of India NITI Aayog, op.cit.

also need to be addressed, in addition to ways to make the subject attractive in terms of career development.

India and Russia need to focus on soil depletion and ground water level depletion as areas of cooperation and research as these two are important sectors that can lead to food and water security issues for the two countries as well as in regional and global levels.

India and Russia have also focused on butyl rubber plants^{vi} to increase their trade volume. In 2017, a butyl rubber plant was established in Jamnagar. It is expected to be fully functional by the middle of 2019. The expected capital inflow from the production of the butyl rubber plant is \$2.3 billion.^{vii} This will help in increase in trade volume between the two countries.

Small and Medium Business Support

Small and Medium Business Support is another area of focus of India and Russia. On February 2019, the Ministry of Commerce and Industry, Government of India, Ministry of Industry and Trade of the Russian Federation, Russian Export Centre and Confederation of Indian Industry (CII) organised a Russia-India Forum on Interaction between Small and Medium Enterprises (SMEs). The forum apart from focusing on digital technologies, waste management, healthcare, pharmaceuticals and bio-technology and food and agriculture, also discussed on creating opportunities for Indian SMEs and other private sector industry in developing cutting edge technology, working towards innovation, scale and adeptness through Russia collaboration.^{viii}

India's innovative ideas such as low-cost mobile distribution unit for essential oil (this can be used in the remotest places if there is scarcity of electricity) and Multi-Cavity Mould mechanism for drip irrigation (for optimal water resource utilisation)^{ix} can be areas of collaboration with Russia in the underdeveloped areas of Far East and Siberia.

Digital Transformation and Frontier Technologies—One of the areas of focus is Artificial Intelligence (AI) apart from Block chain technologies, financial technologies and quantum cryptography.^x There are ongoing talks between the two countries to cooperate in the field of AI and Industrial Internet of Things (IIoT). Russia believes that the two countries can go beyond buyer-seller relationship and will involve sharing best practices, knowledge and innovating jointly; and can work together in third countries as well. They are trying to focus on Computer Vision and Deep Learning powered solutions.^{xi} In fact, India-Russia can also

^{vi}Butyl rubber can be used for automotive tires, tubes etc.

^{vii}“Invest India”, <https://www.investindia.gov.in/country/russia-plus> (Accessed on June 4, 2019).

^{viii}“Russia-India Forum on Interaction between Small and Medium Enterprises”, CII, February 2019. <http://www.ciisme.in/russia.html> (Accessed on June 4, 2019).

^{ix}“MSME Insiders”, Technology Centers Issues, Vol VIII, November 2018, pg.7. <http://msmedinewdelhi.gov.in/pdf/DCMSME/Newsletter%20MSME%20November%20FINAL%20DRAFT%20ENGLISH.pdf> (Accessed on June 4, 2019).

^xJoint Statement following the results of the 1st India-Russia Strategic Economic Dialogue”, Press Information Bureau Government of India NITI Aayog, op.cit.

^{xi}Dipanjan Roy Chaudhary, “India-Russia must focus on high-tech sector to push trade volume to \$ 30 bn by 2025: Study”, Economic Times, May 2, 2019.

think of using the application of AI in the transport field that can aim at overcoming the challenges of an increasing travel demand, carbon dioxide (CO₂) emissions, safety concerns, and environmental degradation.^{xii} This can be applicable to the first of the five core areas of cooperation discussed during the economic dialogue i.e. Development of Transport Infrastructure and Technologies. Application of AI in the transport field will help both countries in their contribution to fight against global climate change. Another area of cooperation can be the sector of e-governance.^{xiii}

Industrial Cooperation and Trade

On April 2019, Bombay Stock Exchange (BSE) and the India International Exchange (IFSC) Limited (India INX) along with Moscow Exchange (MOEX) signed a Memorandum of Understanding (MoU). The MoU is expected to help investors and companies to connect with each other in each other's exchange markets. It is also believed that the exchange companies will work together to explore the possibility of cooperating further in cross-listing of derivative products, exchange traded funds (ETF), dual listing and fixed income product cooperation, stated the circular.^{xiv} Apart from this, Russia has also encouraged India in investing in Far East in the fields of oil, minerals, pharmaceuticals, paper industry and logistics.^{xv} Russia has launched 'Single Window Service' in October 2018. This service is to facilitate operation of Indian companies in Russia.^{xvi} The Single Window Service along with ease in language barrier can help SMEs from both sides to invest in each other's markets.

Conclusion

In 2017, the annual trade between India and Russia reached US\$ 10.17 billion. With defence and energy^{xvii} remaining the traditional areas of cooperation and with new areas of cooperation such as agriculture, metallurgy, civil aviation, infrastructure, transport and science and technology and space etc., the two countries are confident of achieving this

<https://economictimes.indiatimes.com/news/economy/foreign-trade/india-russia-must-focus-on-high-tech-sector-to-push-trade-volume-to-30-bn-by-2025-study/articleshow/69143196.cms?from=mdr> (Accessed on May 9, 2019).

^{xii}Rusul Abduljabbar , Hussein Dia, Sohani Liyanage and Saeed Asadi Bagloee, "Applications of Artificial Intelligence in Transport: An Overview", MDPI, January 2, 2019. file:///C:/Users/Dr%20Indrani/Downloads/sustainability-11-00189.pdf (Accessed on May 30, 2019).

^{xiii}During a bilateral dialogue between Indian Council of World Affairs (ICWA) and the Russian International Affairs Council (RIAC), Nakul Saxena, Director Public Policy, iSPIRT Foundation, New Delhi, had presented his views on e-governance.

^{xiv}Himali Patel, "BSE, India INX Collaborates with Moscow Exchange", Outlook India, April 5, 2019. <https://www.outlookindia.com/outlookmoney/personal-finance-news/bse-india-inx-collaborates-with-moscow-exchange-2920> (Accessed on June 4, 2019).

^{xv}"Govt of Russia seeks support from Indian Industry to promote its Far East region", Knowledge & News Network, April 22, 2019. <https://knnindia.co.in/news/newsdetails/global/govt-of-russia-seeks-support-from-indian-industry-to-promote-its-far-east-region> (Accessed on June 4, 2019).

^{xvi}India already has the Russian Desk that was set up to promote Russian investment in India. New Delhi last year announced on setting up a Single Window Service to further help the Russians investment in India.

^{xvii}The defence and energy sectors which are the traditional pillars between India and Russia are being taken care with the investments being made in both the sectors.

ambitious trade target of US \$30 billion by 2025, as stated in the 2018 Joint Statement. This will however be a challenging target to achieve unless there is a rapid expansion to new items of trade and concentrated effort is made to develop individual and agricultural value chains.

The initiative 'Invest India' is a promising initiative with many Russian projects either under discussion or underway (such as Roastom for mini hydro projects, Sistema Asia Fund, Reliance Sibur project on butyl rubber plant, etc.).

India and Russia are collaborating in the field of diamond. The Russian company Alrosa has invested in Mumbai in sales, marketing and supports projects related to it. It opened an office in Mumbai in 2018. Meanwhile, India is investing in this field especially in Yakutia, near Vladivostok.^{xviii} Also India is investing in Siberian goldmines. New Delhi's investment in the Klyuchevskoye Gold Depots is estimated at \$65 million.^{xix}

There were talks between India and Russia on investing in mini-hydropower units in India.^{xx} Apart from this, in 2016, scientists from both sides joined hands to develop new energy sources, i.e., hydrogen fuel cells through the development of oxide materials.^{xxi} This will be an alternative energy industry.

India and Russia are also looking forward to the early launch of the Green Corridor project. This project aims at simplification of customs operations in respect of goods being transported between India and Russia.^{xxii} Apart from these, INSTC (International North South Transport Corridor) is gaining steam slowly but steadily. The Astara-Astara line, which forms a segment to the INSTC has become functional since March this year. In February 2019, India and Russia signed a MoU for providing logistic services on INSTC. There are talks to develop joint logistic projects in India and Russia using international transport corridors, including INSTC. However, with the Iran-US tensions increasing and re-imposition of sanctions on Tehran by America will have an effect on India too. Addition to it, US does not have a conducive relationship with Russia who is also a member of the INSTC. How New Delhi will manage to manoeuvre through all these countries will be a challenge.

^{xviii} The Indian company KGK Group has been granted a certificate of residence for the Free Trade Zone, giving them tax and customs preferences, and lower shipping costs. "Eurasian Diamond Trading Centre Opens in Vladivostok", Russia Briefing, August 18, 2017. <https://www.russia-briefing.com/news/eurasian-diamond-trading-centre-opens-vladivostok.html/> (Accessed on June 27, 2019).

^{xix} "China, India, Investing Hundreds of Millions in Siberia's Klyuchevskoye Gold Mines", Russia Briefing, September 24, 2018. <https://www.russia-briefing.com/news/china-india-investing-hundreds-millions-siberias-klyuchevskoye-gold-mines.html/> (Accessed on June 27, 2019).

^{xx} "Russia plans to venture into mini hydro-electric power projects in India", Hindustan Times, June 21, 2017. <https://www.hindustantimes.com/india-news/russia-plans-to-venture-into-mini-hydro-electric-power-projects-in-india/story-XLSOIhampB8g6JsxZTEwbO.html> (Accessed on June 12, 2019). The sites for these projects are yet to be finalised. Ibid.

^{xxi} Yevgeny Kurskov, "Russian, Indian scientists to create energy from hydrogen", Russia Beyond, July 12, 2016. https://www.rbth.com/economics/technology/2016/07/12/russian-indian-scientists-to-create-energy-from-hydrogen_610643 (Accessed on June 12, 2019).

^{xxii} "Russia, India plan to launch 'green corridor' project in trade shortly", TASS, October 5, 2018. <http://tass.com/economy/1024696> (Accessed on June 4, 2019).

For India, INSTC is important as it not only cuts down the travel and cargo cost but also helps in engaging with regional trading blocs, such as Eurasian Economic Union (EaEu), Central Asian Union (CAU) and the European Union (EU). India and Russia are trying to negotiate for a FTA on EaEU. The trade between India and EaEU is low. In 2016, it stood at \$7.3 billion from \$7.6 billion in 2012. The bilateral trade between New Delhi and the member states, including Russia, is also not high in comparison with India's with China and US (\$84.4 billion and \$87.5 billion respectively).

To bridge the current reality faced by India and Russia both governments are trying to find ways and avenues to increase trade turnover. Apart from their collaboration in the fields of energy, diamond, butyl rubber plant, agriculture, health sector, pharmaceutical, IT, education etc. there are other areas where the two countries can cooperate.

Given the science and technology expertise both the countries possess, they can do research and development projects together on climate change and on sustaining environment such as protection of timbers in Far East. Blue economy can be an attractive venture as the protection of marine life and flora and fauna will bring more benefits for both the countries, including their positions in the international community. India and Russia can collaborate with countries in Indo-Pacific regions on sustainable blue economy. Food and water security challenges can be areas of cooperative research and development and can bring solutions at all the levels—bilateral, regional and global.

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