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Russia – India Relations in Broader Geopolitical Context

Andrey Kortunov
Lydia Kulik
Vladimir Likhachev
Ivan Danilin
Tobby Simon
Pankaj Saran

Venkatesh Varma
Paul Naidu
Ranjan Mathai
Kapil Mohan
Kiran Kumar
G A V Reddy

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Synergia Foundation**

Authors:

From Russia:

Andrey Kortunov (Team Leader), PhD in History; **Lydia Kulik**, PhD in Political Science;
Vladimir Likhachev, PhD in Technology; **Ivan Danilin**, PhD in Political Science

From India:

Tobby Simon (Team Leader); **Pankaj Saran**; **Venkatesh Varma**; **Paul Naidu**; **Ranjan Mathai**; **Kapil Mohan**;
Kiran Kumar; **G A V Reddy**

Reviewer:

Natalia Galistcheva, Dr. of Economics

Editors:

Elena Karpinskaya (Lead Editor); **Katerina Trotskaya**; **Julia Melnikova**; **Lyubov Nechaeva**; **Gleb Gryzlov**;
Svetlana Gavrilova, PhD in History (Publishing Editor)

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Russia – India relations represent an important venue of the emerging multipolar world order. Moscow and New Delhi share a common history, which serves as a basis for the strategic partnership. The two do not hesitate to seize the opportunities of recent years to qualitatively develop bilateral dialogue. The following report analyzes the state of affairs in major Russian-Indian spheres of practical cooperation to identify successful cases of engagement to build upon as well as its limitations. The authors conclude with a set of recommendations for practitioners to bolster trade, energy and STI cooperation between Moscow and New Delhi.

The opinions expressed in this working paper reflect solely the personal views and analytical outlook of the authors and do not necessarily represent the views of the Russian International Affairs Council NP (Non-profit Partnership).

The full report is available on RIAC's website. Feel free to download it and leave comments directly at:

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Introduction. The Broader Geopolitical Context

India and Russia's relationship is one tested by the wrath of time.

India views Russia as a formidable ally, supportive during India's most challenging times. Moscow has backed New Delhi on the global stage at numerous occasions by using its influence against other superpowers who threaten India's interests. Therefore, India considers Russia as a reliable ally which it can foster a firm relationship and partnership with. After the start of the Ukrainian conflict, India has refused to condemn Russia, maintained its defense and commercial relations, expressed its desire for dialogue, and asked for the territorial integrity of all nations to be respected.

Russia on the other hand sees India as a rising global power and an indispensable player in the emerging multipolar international system, as well as a desirable partner for Moscow. The economic and political importance of India for Russia has become particularly apparent since the beginning of the conflict surrounding Ukraine that triggered a crisis in Russia's relations with the West. Russia's leadership appreciates the independent and balanced position that New Delhi has taken under these challenging circumstances, despite continuous external pressure to do otherwise, in addition to its consistent efforts to facilitate a mutually acceptable solution to the crisis.

The positive attitudes Russians harbor towards India is deep and stable; they do not depend much on the fluctuations taking place in the political realm or on bilateral trade. Nor have there been any serious disagreements on key issues concerning international affairs between the partners. Russian-Indian relations are not overshadowed by mutual fears, distrust and suspicion, a common attribute in most great-power relations. Indian culture, philosophy and art has long attracted the Russian intelligentsia – an attraction that has yet to be weakened.

At the same time, both India and Russia share concerns about the future of their bilateral relationship. Sceptics argue that Russian-Indian relations are losing their previous dynamics. Though trade has grown significantly over last two years, there are doubts about the sustainability of this trend. Military technical cooperation between Moscow and New Delhi has experienced complications and even setbacks due to the West's growing presence in India's defense market and with the current Prime Minister Modi's "Make in India" industrial strategy. There are also points of contention between the two countries on many international matters including the Quad, the situation in Afghanistan, China's Belt and Road Initiative and others.

Overall, this reflects a broader tendency. The world moves, albeit slowly and reluctantly, to a new geopolitical and geoeconomic bipolar structure. Year after year, Moscow has moved east, enhancing its ties with China, as New Delhi moved west, building stronger links to the US. If this trend continues, the two friendly countries might ultimately find themselves in opposite geopolitical and economic blocks, splitting the Eurasian space into two. Over time, Moscow and New Delhi

will find it more challenging to maintain their bilateral cooperation at the current levels, yet alone further deepening and broadening it.

Neither Moscow nor New Delhi have the capacities to change the trajectory of the international system unilaterally or even in a consorted effort. However, neither Moscow nor New Delhi should limit themselves to a position of mere observers of the approaching global bipolarity. Russia and India (as well as the EU and many other international actors) are going to lose significantly if they must take sides in this forthcoming US-China rivalry. On the contrary, it is in their best interests to confront this bipolarity and mitigate it by emphasizing multilateralism.

This being said, nothing suggests that the overall relationship will inevitably have to deteriorate. The history of productive cooperation between Moscow and New Delhi is too long to be seriously challenged, even by growing economic or geopolitical nuisances. Russia and India's "privileged strategic partnership" continues to serve as a model for great power relationships, even when the two sides "agree to disagree" on various matters. This paper aims to both warn against complacency in respective strategic thinking and looks at possible solutions to boost bilateral cooperation and preserve it in the long-term.

Regional Priorities

Russia and India share similar strategic interests. Both sides underscore the importance of international multilateralism as a mechanism to move towards a more inclusive, democratic and transparent world order that provides reliable security and sustainable development opportunities to all nations – big and small, rich and poor, in the North and in the South. They advocate for promoting new multilateral institutions based on the principles of equality and mutual respect, such as the G20, Shanghai Cooperation Organization (SCO) and BRICS. Both Russia and India believe that much will depend on the situation in the Eurasian continent, as this will be a driving force for global economic, political, technological and human progress.

However, the vast Eurasian landmass remains split along many lines, with plenty of contradictions, historical grievances and direct clashes of national interests, often leading to mutual prejudices, suspicions about the other's intentions, and even to outright crises and conflicts. To deal with these obstacles, nations of the shared continent must invest more into regional cooperation, focus on specific projects, as well as embrace both state and non-state participants (private-public partnerships), allowing for maximum flexibility and localization. The following regional cases look particularly promising in terms of India-Russia cooperation in the near future. Though Moscow and New Delhi's interests do not always overlap, there are several areas that the two clearly concern themselves with.

The Arctic

Today, the Arctic stands out as one of the few remaining global frontiers – a relatively underdeveloped part of the globe with an abundance of untapped resources and economic opportunities. Global warming has made the region more

accessible and thus more attractive for economic capitalization. The challenge for all parties – littoral and non-littoral – is to make full use of the new opportunities and to minimize potential risks associated with growing international activities in the region.

Russia, the largest Arctic state, has already shown its willingness to further collaborate with China and India in pursuit of regional development goals, which might signal the start of the Arctic's so-called "easternization". This intention has been strengthened by Russia's abrupt halt in its cooperation with the Western littoral Arctic states in the Arctic Council. The future of this body remains unclear, but the old cohesion of the littoral states can hardly be restored anytime soon. Being de-facto excluded from the predominantly Western multilateral format, Moscow has no other choice but to seek alternative partners in the East.

India's approach to the region has taken an inevitable turn; it is eager to capitalize on the commercial benefits of a faster maritime connection via the Northern Sea Route and feed its economy with Arctic oil and gas. New Delhi's Arctic involvement is also motivated by a desire to ensure Russian commitment to the development of an expanded version of the North South Transport Corridor (INSTC), which would transport Arctic resources to India. India's interest is also closely linked to concerns about China's increased presence in the region. Indian strategists and decision-makers are worried that the Arctic's growing marine routes may provide Beijing with a credible alternative to the Malacca Strait, alleviating Beijing's "Malacca problem". At the same time, according to Indian experts, the North South Corridor provides New Delhi with an opportunity to create an alternative to China's Belt and Road Initiative more effectively and enables India to expand trading ties in the Nordic and Baltic regions.

India sees the plan to shut off Chinese shipping supplies through the Indian Ocean as a cornerstone of New Delhi's policy if there were ever confrontation with China. Additionally, Indian strategists are concerned that Beijing's access to Arctic routes will simply render that approach worthless.

India believes Moscow stands to profit from growing Indian participation in the Arctic; it allows it to diversify its investor portfolio, prevent over-reliance on China, and use Arctic cooperation as a catalyst for further expanding defense and strategic ties with New Delhi. Moscow sees the growing competition between China and India in Arctic investment projects. In some ways, such a competition may give Moscow more space for maneuvering. However, Moscow would strategically benefit much more from multidimensional trilateral Russian-Indian-Chinese cooperation in the region that may ultimately contribute to overall relations between the two great Asian nations. In the future, this trilateral cooperation could evolve into a more inclusive multilateral arrangement involving other Eurasian states.

Central Asia

Russia and India have a number of overlapping regional priorities in Central Asia. Mainly, they are both concerned about the security situation in this area,

particularly the threat of terrorism and extremism. Moscow and New Delhi aim at strengthening security cooperation with the Central Asian countries as part of the SCO agenda, and they have also supported international efforts to combat terrorism in the region.

To some extent, Moscow and New Delhi share comparative economic advantages in offering potential avenues for joint development projects in Central Asia involving Russia and India's private and public sectors. This is particularly important since the region's countries are now entering a new stage in implementing their ambitious national modernization projects and the regional demand is likely to increase significantly over next couple of years for investments, technology, best corporate practices, labor training programs, etc.

Central Asia is important for both Russia and India in terms of energy. The countries are set to maintain export – import ties with the region. Here, both countries are interested in developing new energy projects: Russia seeks to avoid excessive competition with regional hydrocarbon exporters in global markets, while India is working hard to diversify its energy supplies away from the Middle East. However, Russia and India also have specific interests that are not so aligned. For instance, an important aspect of Moscow's relations with the region is a large-scale inflow of Central Asia's labor into Russia, which creates new opportunities, but also generates new problems.

India supports initiatives that enhance connectivity between Central Asia and the Indian subcontinent, including the International North-South Transport Corridor (INSTC), aiming at reducing trade barriers and promoting regional integration. Russia in its turn, while fully supporting INSTC, is also eager to frame its connectivity projects in Central Asia in coordination with China's Belt and Road Initiative. It should be noted, however, that Moscow, unlike many neighboring Asian and European countries, has not formally entered the Belt and Road Initiative, it prefers to "pair" or "couple" the BRI and its own Eurasian Economic Union (EAEU) initiative. It would be fair to say that both Moscow and New Delhi advocate for an open Central Asia and oppose any attempts of third parties acquiring hegemonic positions in the region.

Another important cooperation opportunity between Moscow and New Delhi can be found in Afghanistan. Both Russia and India have a long track record in dealing with Kabul, and are fully aware of challenges and threats that instability in Afghanistan might produce for them and for neighboring countries. Additionally, both are concerned about the continuous drug flow coming from Afghanistan. Neither Russia, nor India share a solid understanding on how to assess the current situation in Afghanistan or on its likely future. However, both Moscow and New Delhi believe that there should be conditioned diplomatic recognition of the new political regime, in order to send international humanitarian assistance to the country, as well as gradually engage Afghanistan into multilateral development projects. Moscow and New Delhi believe that without engaging Kabul, many economic and security problems in Eurasia would be hard to resolve.

Middle East (West Asia)

Though neither Russia nor India directly borders the region, many regional developments have direct or indirect impacts on the domestic agendas of Moscow and New Delhi. Russia and India's ambitions in the Middle East reflect their respective strategic interests and foreign policy objectives. While their tactics differ, both recognize the region's importance for global oil markets, geopolitical stability, and economic cooperation.

Russia seeks to secure its current position as an important external geopolitical player in the region. It maintains traditionally friendly relations with Iran, Syria, Egypt, but also tries to reach out to the Gulf countries and stay on good terms with both Israel and Palestine. These goals are not easy to reach given the increasing political polarization in the region, especially after the recent military escalation in Gaza. Recently, India initiated a new economic corridor linking it to Europe via the Middle East (IMEC), which is sometimes perceived as an alternative to China's BRI. Some of India's regional engagements – like Quad-2 uniting India, Israel, UAE and US – raise concerns in Russia, where it is interpreted as a blatant example of growing US presence in the Western part of the Indian Ocean.

In the Gulf, Moscow promotes the idea of a collective security system that could be gradually erected starting with a broad range of maritime confidence building measures between Iran and its Arab neighbors. Russia is concerned about the Middle East's growing extremism and terrorism. It participates in diplomatic processes aimed at resolving conflicts and stabilizing the region, and it supports regional efforts to address these threats. India diplomatically engages with Gulf countries to cooperate on a variety of regional and global concerns. It frequently underlines non-interference and aims to preserve good ties with all in the region. Given its strategic location and the importance of trade routes to its economy, India is worried about maritime security in the Gulf. It works on security concerns with Gulf countries and contributes to international efforts to ensure regional stability.

Energy security is a key concern for India in the Gulf. It is a significant importer of oil and gas from the region, and it wants to assure a consistent and stable supply to feed its expanding economy. Russia in its turn seeks collaboration with Gulf countries as a major energy exporter to regulate global energy markets and stabilize oil prices. It has reached various energy-related agreements with important Gulf parties, in addition to those made via OPEC+. Russia is also interested in diversifying its economic ties to the region including arms sales, food supplies, cooperation in transportation and logistics, and promoting investments from affluent Gulf states to Russia's economy.

All in all, Russia and India's comparative advantages in Middle East complement each other, opening many ways for the two nations to work jointly on security and development projects in the region together with their respective local partners, e. g. on resolving the Israeli-Palestinian conflict.

Africa

Russia and India have both been increasingly engaging with Africa in recent years. This is not surprising since the African continent stands out as one of the most dynamic regions of the world with an immense demographic, resource and economic potential. At the same time, problems that Africa confronts are immense; if they are not properly addressed, they will undoubtedly have a detrimental impact globally.

Russia seeks to restore some of its Cold War-era influence in Africa through active diplomatic initiatives and military collaboration with select African countries. Russia is interested in Africa's abundant natural resources, including minerals and energy supplies, to boost its own economic development and energy exports. Russia has, thus, expressed interest in developing and investing in African infrastructure, notably in sectors such as energy, transportation, and telecommunications. Initiatives such as the Russia – Africa Economic Forum bring these economic concerns to light. Moscow also counts on its African partners to help it with preventing the West from succeeding in its attempts to isolate Russia internationally.

India, however, aspires to strengthen its economic connections with African nations through trade, investment, and development cooperation. It sees Africa as a potential market for its goods and services and is eager to diversify its natural resource sources. Like Russia, India is increasingly interested in African energy resources, particularly oil and gas. Securing access to these resources aids in reducing energy supply risks and reliance on a few providers. India also participates in a variety of development projects and capacity-building activities in Africa, including scholarship programs, technical support, and healthcare programs. This strategy increases India's soft power and diplomatic connections.

Russia and India's intentions in Africa reflect their wider foreign policy objectives and aspirations to extend their influence and relationships in a region with tremendous economic potential. Given the limited competition between India and Russia's private companies in Africa, more coordination at the state level would be beneficial for both sides.

Limitations of Russia–India Strategic Cooperation

While Russia and India have historically maintained a strong and cordial relationship, their strategic collaboration has limitations, particularly in light of emerging global dynamics involving China and the Quad. India seeks to maintain a balanced foreign policy by cooperating with an array of partners, including the United States, Russia, and China. This balancing endeavor, however, can occasionally result in difficulties when the interests of various partners diverge, necessitating India to negotiate through intricate diplomatic seas.

China

First of all, Russia and India have contrasting positions on China. While India is becoming increasingly concerned about China's assertiveness in the Indo-Pacific

area and its border conflicts, Russia maintains close ties with China. At times, this may result in conflicting goals and interests, influencing their alignment on regional and global issues.

It is well known that Beijing is significantly ahead of New Delhi in terms of trade with Russia, in addition to the number of joint military exercises, and the number of high-level meetings it conducts. Russia's close partnership with China has the potential to endanger its strategic collaboration with India, in the view of New Delhi. Not only that, it may collide with India's interests, particularly in the Indo-Pacific region and aggravate problems in India – China relations, if a Russian-Chinese military-political alliance is established.

However, it should be noted that Russia has never supported and will not support China's confrontations with India. Such an understanding is not shared Moscow, but also in Beijing because China has never demanded that Russia drop its military-technical partnership with India. Moreover, the faster the proximity between Russia and China grows, the more importance Moscow would give to New Delhi as a natural balancer for its increasing dependence on China. It is no coincidence that in the recently adopted new National Security Strategy, as well as the new Concept of the Foreign Policy of the Russian Federation, India was put on par with China.

Also, Russia, unlike some other countries, is in no way interested in aggravating strained relations between Beijing and New Delhi, nor will benefit from a military confrontation between its two main partners in Asia. On the contrary, Moscow is ready to use all the mechanisms it has at its disposal, including BRICS, the SCO and the trilateral format of RIC, in order to facilitate if not resolve, but at least mitigate Indian-Chinese dichotomies. It would hardly be reasonable to challenge Moscow to choose between New Delhi and Beijing—Russia's foreign policy approaches to China and India do not contrast, but naturally complement each other.

The Quad and Indo-Pacific

Moscow and New Delhi clearly have different views regarding the Indo-Pacific. In Russia, the area is seen as a result of American masterminding aimed primarily against Beijing and also against Moscow. Russia is, therefore, concerned about India's participation in the Quad, a security dialogue between the United States, Japan, Australia, and India. The format is sometimes perceived by Russia as taking the contours of a new Asian analogue of NATO. India notes that the concept of the Indo-Pacific was actually invented not in Washington, but in Tokyo and in New Delhi. For India, the concept of combining two oceans into a single maritime region serves as a basis for expanding its presence and influence east of the Strait of Malacca.

Indian experts also argue that under no circumstances will the Quad become a military political alliance, since India values its independence in its foreign policy greatly and is not ready to adapt to the foreign policy priorities of another country, including those of the United States.

This discrepancy just means that Indian, as well as Russian, experts should make additional efforts to dispel the doubts of Russian leaders about Indo-Pacific and the Quad in a grounded way. Moreover, under certain circumstances, India could help Russia acclimatize to Indian waters. Although Russia – US relations, much like those of India – China, follow their own logic and have their own dynamics, India could contribute to a more productive dialogue between Moscow and Washington, just as Russia could facilitate, in some way, the dialogue between New Delhi and Beijing.

Pakistan

From time to time, India's political elite and media voices concern over the emerging Russia – Pakistan relations. At times, Moscow is perceived to have allegedly taken an “equidistant” position towards New Delhi and Islamabad in recent years. Or even that Russian diplomacy is, allegedly, skillfully and cynically playing the “Pakistani card” to get some concessions from its Indian partners.

However, such perceptions have no valid grounds. Relations with Pakistan are important for Russia, but they are largely situational. Today, the significance of Pakistan is increasing not just for Moscow, and that is due to the recent power change in Afghanistan and Islamabad's influence on the Taliban. Moscow believes that turning a blind eye to this new reality would be a political error. However, any attempts to place India and Pakistan as equals in foreign policy priorities would be an even bigger mistake for Russian diplomacy. This is not only because India is much larger, richer and more influential than Pakistan, but also for the fact that relations between Moscow and New Delhi are not tactical or situational. They represent a special privileged strategic partnership that has evolved over more than seven decades of Indian independence.

Defense Partnership and India's Pivot to the US

Economic considerations can also influence strategic collaboration between Moscow and New Delhi. India's rising economic involvement with Western countries, as well as its efforts to attract international investment may clash with Russia's objectives periodically, resulting in clashing interests. It is well known that over 40% of arms in India's arsenal is supplied by Russia.¹ India has been procuring weapons and military technology from Russia ever since its war with China in 1962. Therefore, India is heavily reliant on Russia for weapons and it would take over twenty years, according to Indian estimates, to get over this dependency. India is not — and will not be in the foreseeable future — prepared to sacrifice partnerships with countries that are important to New Delhi, even if the US views them as geopolitical rivals, including Russia and Iran. The former has traditionally been vital for India in the military and technical sphere, with the latter holding similar importance in terms of energy. While Washington was forced to be somewhat flexible concerning Russia and India's military-technical cooperation, America's harsh sanctions imposed on Iran's oil and gas sector presented

¹ See: Trends in International Arms Transfers, 2022 // SIPRI Fact Sheet. March 2023.
URL: https://www.sipri.org/sites/default/files/2023-03/2303_at_fact_sheet_2022_v2.pdf

obstacles to India's multidirectional foreign policy. Evidently, India will not stand with the US in its approach to Tehran or Moscow and will avoid complying with US sanctions whenever possible.

Pessimists claim that Russia's significance as one of India's key partners is dwindling. This view does not hold universal sway in either Moscow or New Delhi. India's membership in the Quad or the Quad-2 does not suggest that India will somehow curtail its involvement in such well-established structures as BRICS or the SCO, although it is hard to imagine New Delhi as the principal driver of these organizations too. It is plausible that India's diplomacy will attempt to balance these two areas, supplementing them by establishing new multilateral structures in South Asia and in the Middle East to work on the specific issues present in these regions. New Delhi's decision to refrain for the time being from participating in the Regional Comprehensive Economic Partnership (RCEP) that includes ASEAN nations, China, Japan, South Korea, Australia and New Zealand hardly allows to conclude that this priority has decisively been put to rest.

Looking Ahead

It should be known that India's defense dependency on Russia is not the only factor in this relationship. Yet, the two nations have great potential in developing economic ties. Energy resources, machinery, electronics, aerospace, automobiles, commercial ships, chemicals, pharmaceuticals, fertilizers, apparels, precious stones, industrial metals, petroleum products, coal, and high-end tea and coffee are among the goods and sectors that are becoming new drivers of the bilateral relationship.

However, it should also be noted that back in Russia, India is very often perceived not as it is today, but as it was in the past—in the days of Indira Gandhi and Raj Kapoor, or even in the era of Rabindranath Tagore. "Indian exoticism" in the Russian consciousness still often obscures the latest achievements of Indian science and technology, economics and innovation, which are still little known to Russians. Therefore, one of the main tasks is to rebrand India's image in Russia, and position India as a country of the 21st century, as a civilization fully aspiring to the future, even if based on the unshakable foundation of the past, as a territory of not just wonderful traditions, but also of endless opportunities.

Russia and India need to communicate more. Not in the format of "mutual admiration" present in most Russian-Indian conferences and seminars, but in the format of a sober, frank dialogue which may not always be easy. Experts should seek to not only point out disagreements and divergences of state interests between the two countries, but also articulate common positions and overlapping interests. Focusing on the challenges of the future is no less valuable for greater communication than paying attention to the achievements of the past. It is equally important for Russian and Indian expert communities to have creativity and the ability to think globally, as well as maintain a quality country studies.

The prospects to further cooperation are analyzed in the respective chapters of this report.

Chapter 1. Trade Cooperation

One of the key features of the Russian-Indian partnership, including cooperation in trade and investment, has been the dominance of intergovernmental ties, persisting since the Soviet era. Officials on both sides have been determined to maintain the relationship between Moscow and New Delhi a “special and privileged strategic partnership”, referring to it as one of the steadiest in the world. On the political and governmental level such continuity creates the foundation for large-scale economic projects, be it in atomic energy, space or defense. As for the business sector, it was only in the early 21st century that an institutionalized trading relationship began to develop, largely thanks to annual summit meetings. In 2007, Russia’s Ministry of Economic Development and Trade and India’s Ministry of Commerce and Industry initiated a Joint Forum on Trade and Investment, holding its first meeting on February 12, 2007 in New Delhi.² This forum set up a platform for promoting business-to-business interaction between the two countries by searching for common ground between trade and industry from both sides. In December 2023, the XIV Russian-Indian Business Dialogue took place in Moscow, illustrating the long-awaited qualitative leap in business activity between the two countries.

Improving trade and economic relations was named the top priority by Russian President Vladimir Putin and Indian Prime Minister Narendra Modi in 2014.³ The two countries have also set a target of reaching 30 billion USD in trade and 50 billion USD in investment by 2025.⁴ In 2019, Russia and India’s trade turnover stood at 11.2 billion USD and by 2021 it reached 13.56 billion USD.⁵ However, subsequent global events have caused Moscow and New Delhi’s plans to adjust. At first, the world economy struggled to recover from the COVID-19 pandemic, then in the aftermath of the Ukraine crisis, Russia fell under sweeping sanctions, with growing geopolitical instability triggering disruptions in global food and energy supplies. Yet, trade between India and Russia reached the record level of 49.3 billion USD during the 2022–2023 financial year, surpassing the target for 2025.⁶ Russia has become India’s third greatest trade partner for the first time in history, following the US and China.⁷ While India’s imports from Russia have typically included petroleum and other fuel-related products, fertilizers, agricultural

² Russian-Indian Trade and Economic Cooperation // Ministry of Foreign Affairs of the Russian Federation. 06.07.2013.
URL: <https://www.mid.ru/ru/maps/in/1735611/>

³ Press statements following Russian-Indian talks // President of Russia. 11.12.2014.
URL: <http://en.kremlin.ru/events/president/transcripts/47221>

⁴ Partnership for Peace, Progress and Prosperity. India-Russia Joint Statement following the visit of the President of the Russian Federation // President of Russia. 06.12.2022. URL: <http://en.kremlin.ru/supplement/5745>

⁵ 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.

⁶ India on the Rise // Vedomosti. 21.08.2023.
URL: <https://www.vedomosti.ru/opinion/columns/2023/08/21/991047-indiya-na-podeme>

⁷ Russia Becomes India’s 3rd Largest Trading Partner for First Time in History // Sputnik. 16.07.2023.
URL: <https://sputniknews.in/20230716/russia-becomes-indias-3rd-largest-trading-partner-for-first-time-in-history-3025489.html>

goods, precious metals and arms,⁸ fuel and fertilizers alone comprised 91% of the trade between the two countries in 2022–2023. In turn, Russia continued to import from India mainly pharmaceutical products, organic chemicals, machinery, electronic equipment, agricultural raw materials and food. However, India's trade deficit with Russia has grown to alarming levels.⁹

At the end of 2022, it was clear that the business and political leadership of the two countries needed to address the following issues as a matter of urgency to keep up with geopolitical trends and facilitate bilateral cooperation to:

- Focus more on actively informing the business community and civil society about the economic and social trends emerging in Russia and India, as well as their relevant developmental targets.
- Develop and enhance financial infrastructure, transportation and logistical connectivity.
- Establish a mechanism to secure bilateral financial and commodity flows from hostile interference.
- Review tariffs and non-tariff barriers that limit bilateral trade.
- Support and expand people-to-people contacts.
- Prioritize tourism and creative industries.
- Revise excessive visa restrictions.¹⁰

By the end of 2023, much work in these domains had already been done. To adapt to the new reality and circumvent Western sanctions against Russia, the two nations have collaborated on developing alternative payment mechanisms, such as trading in national currencies and barter trade. India also keeps looking at alternative payment systems with Russia. These include the Indian Unified Payments Interface (UPI) and the Russian Faster Payments System (FPS). The two sides keep working on creating new digital financial instruments, including within BRICS, which in the future can become the basis for cross-border payments, which will greatly facilitate the expansion of bilateral trade. Other notable achievements are the expansion of transportation links, the creation of insurance mechanisms, and the establishment of their efficient operation. Visas are being issued smoothly and businesses and touristic flows are growing.

Amidst the increased pressure from the outer environment, it helps Russia to be self-sufficient in energy and natural resources, a strong agriculture, and also well-developed education systems and deep cultural traditions. It also helps to have reliable and neutral partners like India, who are oriented towards its national interests and do not sacrifice the interests of its own people for the sake of

⁸ Russia and India: what they trade and how relations will develop further // RBC. 18.07.2022.
URL: <https://trends.rbc.ru/trends/innovation/62d1814b9a79471844795fcb?from=copy>

⁹ Russia Imports from India // Trading Economics. URL: <https://tradingeconomics.com/russia/imports/india>

¹⁰ Kulik L., Kalinin A.. Developing Russia-India Economic Ties Under New Circumstances // RIAC website. 30.01.2023.
URL: <https://russiancouncil.ru/en/activity/policybriefs/developing-russia-india-economic-ties-under-new-circumstances/>

someone else's political agenda. India's consistent independent course, widely recognized and respected in Russia, has inspired Russia's business community to consider new trade links with India much more attentively.

Cases of Successful Cooperation

A recent success story is the very fact that businesses cooperate on various levels. The presence of Russian businesses in India is gradually diversifying and state conglomerates are now making space for new companies, including medium tech and digital businesses. The interest towards India and its market trends among the Russian business community is enormous. There is also a growing number of consumer-oriented firms that have found their niche in the quickly-transforming Indian market. State-owned giants are also looking for ways to add to their business activities and bring the entire spectrum of their advanced products and services to India. At the same time, the new generation of entrepreneurs in Russia has very realistic outlook about the complexities of working with India and the need to plan long-term. They have also learned quickly about India's changing requirements and capabilities.

In India, the business community is also catching up to Russia's market conditions and India's youth is increasingly interested in learning the Russian language and to become Russia experts. Still, there is a lack of first-hand coverage of the developments taking place in Russia, as well as a lack of understanding behind the political motivations and economic trends. In the meantime, despite common perceptions, spurred by the media, and contrary to all negative forecasts, Russia managed to avoid difficulties like hyperinflation and a recession, balancing between a mobilizational economy and maintaining the normal consumer and social sentiments, and demonstrating high level of political, social and economic resilience. This leaves New Delhi evermore determined to look for new opportunities in expanding and improving its business ties with Moscow.

In terms of where to improve ties, creating an additional boost for the bilateral trade, surely, natural resources remain paramount. They will be powering India's economic growth in the future as well as further increase trade turnout with Russia. As India aims to build a greener and cleaner economy – important not just for New Delhi, but for the whole world¹¹ – there will be new avenues of cooperation here as well. Natural gas and nuclear power partnerships, that are already strong and becoming stronger, will likely to be complemented with supplies of nickel, copper, cobalt, lithium and other rare and non-ferrous metals indispensable for the transition to an environmentally friendly industrial and transportation systems. Joint investment in assets and production of these critical materials will be of mutual benefit to both India and Russia.

¹¹ Kulik L., Nurgalieva G., Sushkova E. Auezova K. "Climate change policy. India, China, Kazakhstan" // Institute for Emerging Market Studies (IEMS), Moscow School of Management SKOLKOVO. 2022.
URL: <https://www.skolkovo.ru/researches/klimaticheskaya-politika-indiya-kitaj-kazahstan/?ysclid=lc3tmc5er6661718375>

Successful digitization in Russia and India is an important factor that is bringing businesses on both sides to speak the same language faster.¹² India's tremendous achievements in its digital transformation, as well as its booming startups and VC activity are now quite well-known in Russia. Russian digital technology-focused companies, venture capital firms and startups are on the forefront of business activity between the two countries outside the traditional government-to-government interactions. Though numbers are still modest, they have arguably the most relevant and interesting experience of working with the new India. One of the most advanced sectors here is EdTech, where Russian companies combine expertise in STEM disciplines with creativity and much needed adaptation to the local market, responding to India's strong requirements for educational and vocational services. Production digitization is likely to grow rapidly in the near future. There are some good examples of serving the needs of India's industry with Russian digital solutions, famous for their advanced algorithmic foundations, too. Machine learning, big data and digital marketing are promising areas as well. Smart navigation and logistics, unmanned aircraft systems, urban infrastructure, utilities and cyber security are just some of the areas for possible joint work in tech and IT in the future. When promoting its digital solutions, Russia emphasizes the importance of technological sovereignty that will be essential for countries like Russia and India in the world of tomorrow.

Infrastructure is another sector where there is a good match between the partners. Smart grids, distributed power systems and energy efficiency, as well as the development of gas transportation and consumption infrastructure and upgrading India's prodigious railway system also have high significance and potential. In March 2023, the Russian-Indian consortium of Transmashholding, the leading Russian company in railway engineering, and Rail Vikas Nigam Ltd. have jointly won a tender for production, supply and maintenance of 120 Vande Bharat Express high-speed trains. The contract is worth 1.7 billion USD and represents an important milestone for a Russian company within the Make in India framework.¹³ Significantly, it implies not just the localization of manufacturing, but large-scale personnel training and post-production servicing too. Shipbuilding and port infrastructure is also one of the areas where joint projects have great potential and could be of mutual benefit to both sides.

There are also some successful cases of joint ventures in different spheres. Indian oil and gas companies such as ONGC Videsh and Oil India have joint ventures with Russian companies such as Rosneft and Gazprom. These joint ventures are involved in the exploration and production of oil and gas in both India and Russia.¹⁴ Similarly, Indian pharmaceutical companies such as Dr. Reddy's Laboratories and

¹² Kulik L., Korovkin V. India Goes Digital. From local phenomenon to global influencer // SKOLKOVO Institute for Emerging Markets Studies. 2021.

URL: https://ftp.skolkovo.ru/web_team/iems/India_Goes_Digital_SKOLKOVO_IEMS_Research_2021.pdf

¹³ Russian and Indian Railways set to manufacture Vande Bharat trains in boost to Make in India campaign // India Narrative. 06.04.2023. 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>

¹⁴ Overview of India-Russia Economic Cooperation // Consulate General of India. February 2016.

URL: <https://www.cgivladj.gov.in/page/overview-of-india-russia-economic-cooperation/>

Sun Pharmaceutical Industries Ltd. have joint ventures with Russian companies such as R-Pharm and Pharmstandard. These joint ventures manufacture and sell pharmaceutical products in both India and Russia.¹⁵

Limitations

Yet, the limitations for the partnership to go forward remain and require additional work and political will to be eliminated. Most importantly, according to Indian experts, Western sanctions against Russia and the logistical difficulties involved in trade between Russia and India have hampered the ability of Indian companies to do business with Russia and vice versa. Indian companies are now facing higher costs, lengthier delivery times, and increased risks. Additionally, sanctions have made it more difficult for Indian businesses to obtain insurance for their trade with Russia.

Sanctions that have cut Moscow off from SWIFT and the dollar-dominated trade payments system, created difficulties for New Delhi with its trade payments to Russia. This resulted in a massive trade deficit with Russia, second in volume in its track record, following the trade deficit with China, and the accompanying trade payments crisis. Both Russian and Indian experts believe that this issue is one of the most difficult to resolve. In 2022–2023, out of the entire bilateral trade volume just 3.1 billion USD accounted for India's exports to Russia.¹⁶ Russia, therefore, has accumulated excess rupees that it finds difficult to use. This has led to a balance of payments problem for India and a crisis with the currency for trade payments between the countries. Both ruble and rupee face issues as a trade currency since its value is maintained by capital controls and is not market-determined. Russian businesses are exploring the available options to utilize the rupee. There is also dynamic interaction between the central banks of the two countries.

India's dependence on Russian military equipment presents a concern for Indian experts, as it may limit the stability of bilateral ties in the future. In 2021–2022, India imported 5.1 billion USD worth of military-related products from Russia, representing close to 40% of its total military imports.¹⁷ Although Russia, as the main arms supplier, supports increasing domestic arms production in India, it may feel uncomfortable in those cases, when India looks to diversify its weapons imports with the help of Western countries.

According to Russian experts, agriculture is another sector where search for complementarity is particularly difficult, as both countries are now largely self-sufficient and export oriented. The high social as well as political importance and fragmentation of this segment in India dictates very careful and balanced

¹⁵ Dr Reddy's inks pact with Russian firm R-Pharm // The Economic Times. 21.12.2010.

URL: <https://economictimes.indiatimes.com/industry/healthcare/biotech/pharmaceuticals/dr-reddys-inks-pact-with-russian-firm-r-pharm/articleshow/7140666.cms>

¹⁶ Russia identifies priority consumer goods import from India // The Hindu Business Line. 09.10.2023. URL: <https://www.thehindubusinessline.com/economy/russia-identifies-priority-consumer-goods-import-from-india/article67400010.ece>

¹⁷ Russian arms supplies to India worth \$13 bln in past 5 years // Reuters. 13.02.2023.

URL: <https://www.reuters.com/world/russian-arms-supplies-india-worth-13-blm-past-5-years-news-agencies-2023-02-13/>

approach to imports. Yet the transforming preferences of India’s consumers, their increasing purchasing power, growths in processing and logistics segments as well as digitization in Indian agriculture offer new export and import opportunities to both countries. They are also being analyzed and, eventually, will contribute to bilateral trade as well.

Recommendations to Enhance Bilateral Trade

1. India and Russia should look for opportunities to diversify their trade relations by expanding trade in non-energy sectors, such as the blue economy, tourism, advance technology, fintech, digital public infrastructure, shipping, space, and industrial raw materials. This would make them more resilient to shocks in the energy sector. They can also collaborate on new industries such as renewable energy and robotics to create jobs, foster competitiveness, and global relevance. This could include developing and deploying robots in a variety of sectors, including manufacturing, healthcare, and agriculture. Further, they can collaborate on projects that enable skilled manpower exports from India, which would facilitate skilled employment. India and Russia should explore trade in advanced technology that is non-aligned, sustainable, and independent of external actors. Sectors like microelectronics and aerospace offer several partnership opportunities. They could also collaborate on connecting digital public infrastructure, such as e-government platforms and digital identity systems.

2. Trading in national currencies would involve Russian and Indian businesses settling payments in their respective national currencies, the rupee and the ruble. This would reduce the reliance on the US dollar and make trade more resilient to future sanctions. Both governments should do more to reassure businesses on managing risks arising out of sanctions. The two countries would have to find ways for Russia to utilize its rupees by investing and producing in India through infrastructure projects and Make in India manufacturing.

3. Creating more comfortable, predictable and secure conditions for Russian and Indian businesses for mutual investments in both nations is paramount, in particular bringing into force the bilateral agreement on promoting and protecting investments. Giving better assurances to investors would also make it possible for Moscow and New Delhi to work more proactively in third countries, especially in Africa, Asia and Eurasia. This is closely connected with Indian government’s efforts of making the country the new manufacturing powerhouse of the world by creating more jobs for its younger workforce. India’s large-scale plans to strengthen its manufacturing sector with Make in India, Make for India, Make for the World and AatmaNirbhar Bharat provide impetus for wide-ranging Russian investments in India. Russian companies are quickly learning about localization, incentives for production and exports, as well the advantages of engaging India’s phenomenal human capital. “Build in India – sell in India, in Russia and globally” is what Russian and Indian companies have started to consider. Special economic zones and the benefits they can offer are being carefully evaluated on both sides and will be playing a major role in forthcoming agreements. Further the promotion of more active utilization of special economic regimes in Russia and India is, therefore, necessary.

4. Joint ventures and investments between Russian and Indian businesses can help deepen economic ties and generate new opportunities. For example, Russian and Indian companies could partner to develop new products and services or to expand into new markets. The two governments can encourage joint ventures and investments by providing tax breaks and other incentives to businesses such as Russia's new "cluster investment platform" for joint projects. It offers soft loans for developing and manufacturing priority products, subsidies for pilot batches of goods, and insurance premiums and income tax preferences. Such measures can help address the trade imbalance and also facilitate the exchange of experience and competence in emerging technological areas. Stuck with huge rupee assets from cheap oil sales to India, Russia is exploring the possibility of setting up joint ventures in India for products that are in shortage in the sanctions-hit nation. These items could include generic drugs and auto components. For Russian companies looking to invest in India it is necessary to plan long-term and to think of significant resource commitments to the Indian market that would cover localization of their product or solution, support manufacturing facilities and marketing, Russian experts say.

5. Indian exports to Russia can be both increased in existing areas (such as food and agricultural products and vehicle parts) and diversified into new or developing areas such as advanced industrial equipment, mining and oil processing, food processing, printing and polygraphy machinery, automobile and aviation components, medical equipment, as well as electronics and textiles. The Indian market share in the Russian pharma market is increasing at a considerable rate. It now accounts for 2.4% of all Indian drug exports. So, there is a huge scope here for Indian drug exporters in the Russian market. India can particularly look to increase exports in areas that have been ceded by foreign suppliers exiting Russian markets and also take part in the parallel export of Western products to Russia. Moreover, exports may increase due to the pull from the Russian side, rather than the push from India, meaning that Russian business, particularly mid-size companies, knowing Russian requirements, will play an active role building trade bridges with their Indian counterparts. In this regard, Russian experts see it also fit to restart negotiations on the free trade area agreement between India and the Eurasian Economic Union.

6. Improved trade logistics will reduce the cost and time of transporting goods between India and Russia. This can be achieved through several measures, including developing new trade routes through the Arctic, Iran, or other countries that are not subject to Western sanctions. This would help to reduce reliance on existing trade routes that could be disrupted by future sanctions. According to Indian experts, the International North – South Transport Corridor (INSTC) will significantly boost trade between India and Russia as it would be shorter and faster than the current route through the Suez Canal. This corridor will connect India through Iran to Azerbaijan and finally to Russia and vice versa. The signing of the last remaining connectivity line of this corridor, Rasht – Astara railway line, will allow the route to become fully operational towards the end of 2024. Continuing investments in logistic links would lower the transportation tariffs, still

excessively high.¹⁸ Russia and India could also invest in improving their domestic transportation infrastructure, such as existing roads, railways, and ports. This would help to reduce the cost and time of transporting goods between the two countries.

7. Russia and India should work towards reducing trade barriers by simplifying customs procedures and reducing tariff barriers in close coordination with national businesses. This would make it easier and cheaper for businesses to trade with each other. Logistical aspects of trade such as mutually acceptable trade documentation and certifications (such as certificates of origin), and recognized standards (such as sanitary and phytosanitary measures) can also be clarified and developed to enhance the ease of trade between the two countries.

8. On the individual level, Moscow and New Delhi business relations will benefit from improving payment mechanisms available to individuals in both countries, as well as from promoting labor migration from India to Russia and expanding the quotas for the Indian labor.

¹⁸ Sazhin V. To the question of international transport corridor North-South: problems and perspectives // The International Affairs. 26.07.2022. URL: <https://interaffairs.ru/news/show/36291>

Chapter 2. Energy Cooperation

Russia and India have a robust history of energy collaboration, particularly in fossil fuels trade and nuclear energy generation. The stability of the partnership could be attributed to the fundamentally different roles that countries have in global energy markets. Russia enjoys the largest hydrocarbon reserves and is the largest producer and exporter of fossil energy resources. In turn, India has long been increasing energy imports to maintain its rapidly growing economy and developing social sector.

Recently, bilateral cooperation in the energy sector acclaimed strategic partnership status. The escalation of geopolitical tensions in early 2022 helped take a different look at the global energy trends. The sharp reduction of Russian energy supplies to the EU and the following embargo as well as the decarbonization of the European economy have raised concerns about the future of regional and global energy markets. Under these circumstances, Russia had to develop a proper policy response to counter Western restrictive measures and find new opportunities for energy cooperation with friendly countries, including India.

In 2022, Russian oil supplies to India increased nineteen-fold and reached 41 million tons.¹⁹ Russian oil imports amounted to 55.9 million tons and 3.9 million tons in 2022–2023 and in 2021–2022,²⁰ with Russia eventually surpassing the Gulf countries among India's biggest import partners. Moreover, oil prices exceeded the ceiling of 60 USD per barrel, but it was still cheaper than oil imports from Iraq and Saudi Arabia.²¹ The increase in the bilateral trade has been also observed in other energy carriers. During the first eight months of 2023, India increased imports of coking coal to 4.3 million tons, which is 2.3 times more than in the previous year.²² At the same time, the share of Russian supplies in total coking coal imports to the country has picked up 6.2%.²³ In turn, steam coal supplies have amounted to more than 3 million tons.²⁴ The parties also managed to optimize logistical routes for energy resources delivery. For example, the refineries of Russian oil companies, including Rosneft, located near the Indian ports of Sikka and Vadinar turned into the largest facilities to receive oil imports.²⁵

¹⁹ Novak: Russian oil exports to India grew 19-fold to 41 mln tonnes, to China 28% to 89 mln tonnes in 2022 // Interfax. 08.06.2023. URL: <https://interfax.com/newsroom/top-stories/91301/?ysclid=lg27ayv1kk18039313>

²⁰ Russian crude oil tracker // Bruegel. 11.10.2023. URL: <https://www.bruegel.org/dataset/russian-crude-oil-tracker>

²¹ Russian oil price to India for August hits highest since December // Reuters. 11.10.2023. URL: <https://www.reuters.com/business/energy/russian-oil-price-india-august-hits-highest-since-december-2023-10-11/>

²² India to ramp up coal imports from Russia – Reuters // RT. 28.10.2023. URL: <https://www.rt.com/india/588132-india-imports-russian-coal/>

²³ Russia Doubles Coking Coal Exports to India // Vedomosti. 23.11.2023. URL: <https://www.vedomosti.ru/business/articles/2023/10/23/1001892-eksport-metallurgicheskogo-uglya-v-indiyu?ysclid=lofkckw5c253061171>

²⁴ Russian Coking Coal Exports to India Surges 6-fold in January – April 2023 // Vedomosti. 28.06.2023. URL: <https://www.vedomosti.ru/business/articles/2023/06/29/982841-eksport-rossiiskogo-energouglya-v-indiyu-viros?ysclid=lofi2ftrhq959213959>

²⁵ September 2023 – Monthly analysis on Russian fossil fuel exports and sanctions // Centre for Research on Energy and Clean Air. 18.10.2023. URL: <https://energyandcleanair.org/september-2023-monthly-analysis-on-russian-fossil-fuel-exports-and-sanctions/>

The parties have also recently taken steps to institutionalize Russia – India energy ties. India Energy Office was inaugurated in Moscow first on March 1, 2021. Russia and India also established a Gas Task Force, which operated within the Working Group on Energy Savings and Energy Efficiency of the Russia – India Intergovernmental Commission on Trade, Economic, Scientific, Technological and Cultural Cooperation.²⁶ However, Russian experts are not enthusiastic about the results achieved through such formats, since they have not fully revealed the true potential of the bilateral cooperation.

This being said, India plays a crucial role in transforming Russia's export energy strategy. In the near future New Delhi is expected to continue purchasing Moscow's energy resources. Russia, in turn, is likely to monitor potential changes in India's energy policy to further build up bilateral trade turnover and secure the long-term energy cooperation. In order to identify new opportunities for partnership, it is necessary to trace back its evolution and assess the current scope of existing projects.

Cases of Successful Cooperation

Given the overall solid friendship, Russia was always expected to be one of India's main energy partners. However, for quite a long time, energy cooperation between the two countries was rather declarative, filled with interstate protocols and memoranda of understanding. A number of other initiatives was introduced, but later postponed for an indefinite period.²⁷ As an exception may be listed the case of the Indian company ONGC Videsh Limited (OVL) that owns a 20% stake in the Sakhalin-1 project,²⁸ implemented under the Production Sharing Agreement of 1995. It involves the development of the Piltun-Astokhskoye and Lunskoye oil and gas fields located off the northeastern coast of Sakhalin Island in Russia.²⁹ The consortium, which includes Russian and international partners, has been involved in the exploration, production, and export of oil and natural gas from these fields. However, Russian experts point out that India has not made full use of its participation in the project.

For a long time both countries adhered to a wait-and-see tactic in energy cooperation, assessed each other's potential and adapted to doing business on respective markets. As a result, until the mid-2000s, Russia's fuel supplies to India were limited due to alternative exports from Europe and North-East Asia, India's remoteness from Russian shipping points, high logistics costs compared to supplies from the Middle East, and relatively low competitiveness of Russian energy carriers in the Indian market. During that period, Moscow and New Delhi achieved better progress in nuclear energy partnership. In 1998, the countries

²⁶ Perspective directions for cooperation // Business Council for Cooperation with India.
URL: <https://russiaindiabusiness.com/ru/business-in-india/promising-areas-of-interaction/>

²⁷ See: Russia to Join TAPI Gas Pipeline Project // TASS. 19.01.2023.
URL: <https://tass.ru/ekonomika/16840041?ysclid=lo4aktz0k0901831655>

²⁸ Sakhalin-1. Offshore oil and gas condensate extraction project // Neftegaz.ru. 07.06.2011.
URL: <https://neftgaz.ru/tech-library/mestorozhdeniya/714124-sakhalin-1/?ysclid=lo4afbe61a300506537>

²⁹ The fields are located in the north-eastern part of Sakhalin.

signed an agreement which enabled Rosatom to participate in the construction of the Kudankulam nuclear power plant (NPP) in the southern Indian state of Tamil Nadu.³⁰

However, the full-scale work began only in 2008. Before that, the IAEA Board of Governors had adopted the safeguards to Indian civilian nuclear facilities³¹ and the Nuclear Suppliers Group had suspended exports restrictions on nuclear materials, equipment, and dual-use technologies.³² On December 5, 2008, Russia and India signed another agreement on Russia's participation in the construction of additional power units at the Kudankulam NPP and on Rosatom's participation in other Indian NPP projects.³³

Additionally, in 2010, the countries signed an intergovernmental agreement on cooperation in peaceful use of atomic energy.³⁴ The document underlined the importance of nuclear energy to meet India's rapidly growing demand for electricity and envisaged plans to construct NPPs on the basis of Russian technologies. Moreover, the parties to the agreement expressed an interest in producing fuel assemblies and their elements for Russia-designed reactors in India. Russia also committed itself to train staff for Indian NPPs.

The scale of the bilateral energy partnership has reached a new level amid the restructuring of the world economy caused by an increased Western pressure against Moscow, when Russia's fuel and energy sector became subject to unilateral sanctions in 2014. The EU members started to gradually reduce contacts with Moscow and displace its energy resources from the European market. For example, Moscow and Brussels terminated the Russia – EU Energy Dialogue³⁵ and a number of other formats of multilateral cooperation. Since then, the EU's energy policy has been focused on developing renewable energy sources and introducing energy saving programs as an instrument to boost decarbonization and minimise the EU's dependence on Russian energy supplies.

Under these circumstances, Russia has had to offset the risks of deteriorating relations with the EU by diversifying its energy exports partners. Though the Indian market is inferior to the Chinese one in terms of volume, India has been the

³⁰ The AEM-Technologies branch "Izhora" Conducts Hydrotests of Pressure Compensator for Kudankulam NPP // Rosatom. 23.01.2023.

URL: <https://www.rosatom.ru/journalist/news/filial-aem-tekhologii-izhora-provel-gidroispytaniya-kompensatora-davleniya-dlya-aes-kudankulam/>

³¹ IAEA Board Approves India – Safeguards Agreements // IAEA. 01.08.2008.

URL: <https://www.iaea.org/newscenter/news/iaea-board-approves-india-safeguards-agreement>

³² U.S. Proposal for India-Specific Exemption from Nuclear Suppliers Group Guidelines Circulated August 2008 // Arms Control Association. 13.08.2008.

URL: <https://www.armscontrol.org/pressroom/2008-08/us-proposal-india-specific-exemption-nuclear-suppliers-group-guidelines-circulated>

³³ Russia and India Sign Agreement to Construct New Power Units for Kudankulam NPP // RIA Novosti. 05.12.2008.

URL: <https://ria.ru/20081205/156554507.html?ysclid=loh1anui3f357492408>

³⁴ Russia and India Sign Agreements, including on Nuclear Cooperation // RIA Novosti. 12.03.2010.

URL: <https://ria.ru/20100312/213823180.html?ysclid=loh1jyu8qj870558132>

³⁵ Russia – EU Energy Dialogue // The Ministry of Energy of the Russian Federation.

URL: <https://minenergo.gov.ru/node/14646>

fastest growing economy at that time³⁶ and could substitute the EU as an alternative import market for Russian oil, LNG and coal supplies.

Therefore, Moscow and New Delhi have recently signed several deals to cooperate on the development of oil and gas projects in Russia. According to Russian researchers, Rosneft's initiatives have played a key role in boosting bilateral energy ties.³⁷ In 2014, the biggest Russian oil company signed several contracts with India that provided the basis for expanded foreign participation in the production of Russian energy carriers and strengthened Russian company positions in India's energy market.

In May 2014, at the St. Petersburg International Economic Forum, Rosneft and OVL signed a Memorandum of Understanding. The document paved the way to hydrocarbons production on the Russia's continental shelf.³⁸ Further, in September 2015, the parties entered into an agreement of sale and purchase of a 15% stake in Russia's Vankorneft,³⁹ which increased by an additional 11% in October 2016.⁴⁰

On the second track, on December 11, 2014, Rosneft and Essar agreed on key terms of oil and oil products supplies to Essar refineries in India.⁴¹ The document was signed in the presence of Russia's President Vladimir Putin.⁴² On the sidelines of the BRICS Summit in December 2015, the parties entered into another long-term contract for crude oil supplies for further processing at the Vadinar refinery.⁴³ In October 2016, Rosneft acquired a 49.13% share of Essar Oil Ltd. from Essar Energy Holdings Ltd. and its affiliates. The transaction was closed after receiving an approval of the Competition Commission of India in August 2017.⁴⁴

Also, in March 2016, Rosneft signed a sales contract of a 29.9% share of Taas-Yuryakh Neftgazodobycha with an Indian consortium comprising Oil India, Indian Oil and Bharat Petroresources.⁴⁵ On February 5, 2020, Rosneft and Indian Oil Cor-

³⁶ India fastest growing economy // The Hindu. 09.02.2015.

URL: <https://www.thehindu.com/business/Economy/India-pegs-2014-15-GDP-growth-at-7.4-per-cent/article60326723.ece>

³⁷ Developing cooperation with India is also a priority for other Russian companies, such as Gazpromneft, Zarubezhneft, RusHydro, etc.

³⁸ Rosneft Offers Stake in Vankor Oilfield to Indian ONGC // RBC. 06.10.2014.

URL: <https://www.rbc.ru/economics/06/10/2014/543253c4cbb20f0a674a8298?ysclid=lo4amh5z27759638446>

³⁹ Rosneft Agrees on 15% Share Sale in Vankorneft to ONGC // Rosneft. 04.09.2015.

URL: <https://www.rosneft.ru/press/releases/item/175457?ysclid=lo4aqlta2j920511792>

⁴⁰ Rosneft and ONGC Sign Sales Contract on 11% Share in Vankorneft // Rosneft. 14.09.2016.

URL: <https://www.rosneft.ru/press/releases/item/183699?ysclid=lo4au6l2c8266017921>

⁴¹ The company was rebranded as "Nayara Energy".

⁴² Putin's Visit to India Facilitate New Contracts for Rosneft and Rosatom // RBC. 11.12.2014.

URL: <https://www.rbc.ru/politics/11/12/2014/5489b7612ae5961a5ec4f573?ysclid=lo4ankax2x769591925>

⁴³ Rosneft Signs Contract with Indian Essar to Supply 10 mln tons of Oil per Annum // Interfax. 08.07.2015.

URL: <https://www.interfax.ru/business/452491>

⁴⁴ Rosneft Acquires 49% Share in Essar Oil Limited // Rosneft. 15.10.2016.

URL: <https://www.rosneft.ru/press/releases/item/184097?ysclid=lo4av84ln6250655632>

⁴⁵ Russia Approves Acquisition of Share in Taas-Yuryakh by Indian companies // Technoblog. 24.09.2016.

URL: <https://itknoblog.ru/2016/09/24/69027?ysclid=lo4asujvoa331516495>

poration Limited signed a contract for supplying up to 2 million tons of crude oil to India through the port of Novorossiysk by the end of 2020.⁴⁶

Both Russian and Indian experts underline New Delhi's growing interest in LNG production projects.⁴⁷ For example, imports of Russian LNG to India started after the commissioning of Russia's first LNG plant as a part of the Sakhalin-2 project.⁴⁸ India also owns a 20% stake in Sakhalin-3 that is expected to start production in 2024.⁴⁹ The venture will help reduce the country's reliance on imported LNG from Qatar and the Middle East and significantly contribute to its energy security. Additionally, India signed a twenty-year LNG supply agreement with Gazprom.⁵⁰

During the period under question, supplies of Russian coal also grew steadily.⁵¹ It includes Russian exports of both coking coal and steam coal for the steel industry and power plants respectively.

As previously mentioned, since the escalation of the Ukraine conflict in February 2022, Russia – India energy ties have witnessed a considerable growth in oil and gas. At the same time, the countries also try to keep up with trends in global climate agenda and broaden the variety of energy projects. Moscow and New Delhi are now diversifying energy sources through renewable energy cooperation, particularly in solar and wind power. The bilateral energy partnership focuses on technology research for the energy sector and development for clean and sustainable energy to meet the Paris Agreement.

Energy Cooperation Limitations

By 2030-2035, the two countries can significantly boost oil, LNG and coal exports from Russia to India since Moscow tries to substitute European importers and New Delhi seeks to ensure sustainable energy supply for its rapidly developing economy. For these reasons, Russian energy companies are expected to bolster direct supplies of energy resources while Indian investors are likely to increase participation in the development of Russian oil and LNG fields through the acquisition of companies, licensed for hydrocarbons exploration and production. Exports of digital technology for the energy sector and equipment for power, oil, gas and coal industries also present a commercial interest for Indian entities. This cooperation could help India meet its climate change commitments and reduce its

⁴⁶ Rosneft Signs Contract with Indian Oil for Supplying 2 mln tons of Oil // Rosneft. 05.12.2020.
URL: <https://www.rosneft.ru/press/releases/item/199699/?ysclid=lo4aw1ko5v571520400>

⁴⁷ Russia and India signed a memorandum of understanding to cooperate on developing natural gas hydrate resources that are abundant in the Arctic region. See: India, Russia sign MoU for LNG supply & low-carbon ammonia // The Economic Times. 08.02.2023. URL: https://economictimes.indiatimes.com/industry/energy/oil-gas/india-russia-sign-mou-for-lng-supply-low-carbonammonia/articleshow/97738651.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

⁴⁸ CORRECTED-Gazprom says Sakhalin LNG to start early 2009 // Reuters. 23.04.2008.
URL: <https://www.reuters.com/article/gazprom-lng-idUKL2376103920080423/>

⁴⁹ Oil and Gas Production at Sakhalin-1 Reached the Level Before the Start of the Special Operation // Rogtecmag. 09.06.2023.
URL: <https://www.rogtecmagazine.com/oil-and-gas-production-at-sakhalin-1-reached-the-level-before-the-start-of-the-special-operation/>

⁵⁰ Yamal Trade and Gazprom Marketing & Trading Singapore sign LNG agreement // NOVATEK. 23.05.2014.
URL: https://www.novatek.ru/en/press/releases/index.php?id_4=883

⁵¹ Pentrenko E.I. Track records of Russian coal industry in January – June, 2022 // Ugol. 2022. No. 9. Pp. 7-22.
URL: <http://www.ugolinfo.ru/artpdf/RU2209007.pdf?ysclid=lp2fjp677z935490844>

reliance on fossil fuels. Yet, several limitations may negatively affect the capacity of the partnership to move forward.

Firstly, Indian energy development forecasts until 2050 demonstrate that the country is expected to surpass China in terms of economic growth and become the fastest developing market.⁵² With an increasing population, this factor ensures a long-term Indian demand for various energy sources. At the same time, the country's leadership is committed to becoming self-sufficient in the energy field by the 100th Republic Day in 2047.⁵³ Moreover, political developments in either country could also impact the viability of energy projects. Thus, despite the complementary character of Russian and Indian interests in the energy sector, leadership changes, policy changes, or political instability might eventually reduce the scope of the bilateral partnership.

Secondly, India remains a non-aligning nation and walks a tightrope between the US and Russia, with the latter planning to further strengthen partnership with China and Iran. In this regard, Moscow and New Delhi's participation in international formats like BRICS, RIC and the SCO does not ensure the stability of long-term cooperation. Finding a balance between respective geopolitical considerations should be a strategic priority for the countries.

Thirdly, the two national energy development strategies of the states differ in several respects. Russia prioritizes significant reserves of cheap fossil fuels over renewables in its energy balance. The country facilitates decarbonization by improving energy efficiency and using natural gas, hydropower and nuclear power plants. In turn, India is focused on transitioning to cleaner renewable energy sources. If Russia's energy offerings are predominantly fossil fuel-based, this misalignment could affect the current scope of energy trade. Moreover, the development of energy projects in Russia and the Arctic region will also have a significant environmental impact. These factors could make it difficult for Russia and India to further strengthen cooperation unless they share commitment to environmental protection.

Fourthly, Russia continues supplying coking coal, nuclear energy and hydropower to address the needs of India's ferrous metallurgy.⁵⁴ The growing trade in energy carriers necessitates finding solutions to several issues, such as payments in national currencies, insurance of transactions, and potential secondary sanctions faced by Indian companies. Through a well-calibrated and dexterous foreign policy, India has so far maintained an independent stance and refused to join the West's sanctions on Russian exports. However, this is likely to come under increasing pressure from the West.

From the Indian perspective, Western sanctions present a practical hurdle for new energy initiatives, since they require substantial financial resources. Differences

⁵² World Energy Outlook 2023 // IEA. URL: <https://www.iea.org/reports/world-energy-outlook-2023#downloads>

⁵³ Data Story: India Is Aiming to be Energy Independent by 2047 // IAS Score. 13.12.2021.
URL: <https://iascore.in/data-story/india-is-aiming-to-be-energy-independent-by-2047>

⁵⁴ India Plans More Steel Products in Manufacturing Incentive Plan // Bloomberg. 22.06.2023.
URL: <https://www.bloomberg.com/news/articles/2023-06-22/india-plans-more-steel-products-in-manufacturing-incentive-plan>

in funding availability, risk perceptions, and legal regulations could impact the feasibility of collaborations. Moreover, different regulations on investment, taxation, intellectual property might also curb capital flows from Indian companies.

Fifthly, Indian experts draw special attention to the differences in technological standards and capabilities that might affect the integration of energy systems and lead to potential dependence on the partner country's technology, expertise, or resources. The transfer of sensitive technology and the protection of intellectual property rights can be a sensitive issue in energy collaborations and require working out new transparent agreements and safeguards.

Practical Recommendations to Policy-Makers

In any case, the above-mentioned situation determines a dynamic and multivariant character of Russia – India energy cooperation in the future. Both Russian and Indian experts expect bilateral energy cooperation based on fossil fuel trade to decline as soon as India implements its green development strategy and gains energy independence. This risk, however, can be mitigated if the countries take necessary precautions, including creating joint energy development strategies, advancing common climate agenda, identifying priority spheres of technological partnership and using expertise for new initiatives. In this regard, Moscow and New Delhi could consider the following recommendations to qualitatively improve energy ties:

Growing bilateral and multilateral trade requires optimizing infrastructure with new logistics chains. Currently the countries might utilize the potential of the North – South International Transport Corridor and the Northern Sea Route, as well as other projects with Russian and Indian participation.

2. The parties could intensify cooperation in nuclear energy with a special focus on the creation of new NPP types. For instance, the Kudankulam NPP has significantly contributed to India's electricity generation capacity. Nowadays the collaboration involves transferring technology, namely expertise and support for the construction, operation, and maintenance of the nuclear reactors provided by Rosatom. The success of the Kudankulam project showcases the strong ties between Russia and India in the field of nuclear energy and technology and presents a specific interest for both sides in their quest for accelerating green transition and achieving energy security.

3. The respective measures to ensure low-carbon development and climate protection also imply promoting private investments. India posits that attractive investment incentives, such as tax breaks, subsidies, streamlined approval processes, and bilateral investment protection agreements, could boost energy investor confidence and encourage them to participate in joint energy projects, including public-private partnerships. These measures are expected to spur mutual investments in green technology, carbon capture and storage technology, and energy-saving technology in energy production and consumption. Russia could also borrow India's experience in creating new types of energy infrastructure, including green corridors, distributed generation, power supply to cities and rural areas.

With green economy gradually introduced, Russian researchers consider that bilateral cooperation could shift to joint personnel training in energy, energy policy and climate protection. Offline and online education programs developed by leading Russian and Indian universities will ensure a high quality of required skills.

4. Favorable regulatory framework ensures that energy systems of varying standards and capacities can function safely and reliably. It can be accomplished by introducing proper legislation or regulations with outlined terms and conditions of energy cooperation, such as regulatory standards, technology transfer, dispute resolution systems, and intellectual property rights.

5. The parties are recommended to establish joint centres of competence on energy market regulation. Russians believe this format entails a better understanding of a state's regional specifics and could therefore improve research prepared by Russian and Indian experts.

6. The trade bodies of both countries should also be more active. Regular information exchange of energy statistics and forecasts for energy and related industries are most practical for state decision-makers. This mechanism will help to correctly assess a current situation in Russian and Indian fuel and energy sectors and create risk management techniques. In turn, project portfolio diversification could help to reduce potential geopolitical, economic, and market risks to energy projects.

Chapter 3. Advanced Technological Cooperation

Russia and India's collaboration in science, technology and innovation (STI) dates back to the Soviet days. It gained particular impetus in 1980s, when in 1987–1989 the sides achieved a breakthrough and signed the Integrated Long Term (in Russian– Complex) Programme of Cooperation in science and technology (ILTP)⁵⁵ thanks to a bilateral engagement of Indian Prime Minister Rajiv Gandhi and CPSU Secretary General Mikhail Gorbachev. By Indian estimates, it was the biggest bilateral agreement between India and a foreign nation in the STI area for that time. Among its outcomes were development of India's first polio vaccine and the establishment of its production by Bharat Immunological and Biologicals Corporation Ltd (BIBCOL) and the new International Advanced Research Centre for Powder Metallurgy & New Materials (ARC-I) in Haiderabad.

Since then, cooperation has resulted in various remarkable successes, demonstrating the dedication of both states to harnessing their scientific and technological power for mutual growth. Yet, after the dissolution of the Soviet Union bilateral relations followed a reverse sinusoid curve: after a breakthrough, they survived a crash in early-to-middle 1990s, then saw a slight increase in the form of narrow and ad-hoc science cooperative projects in trade and few high-tech areas. This became possible due to rising effective demand of India, the resurgence of Russia's traditional high-tech strongholds, such as nuclear and defense, and path dependency.

A new impetus came only in the 2020s. In 2021 a new framework initiative appeared in a form of Roadmap for Russia-India cooperation in the STI areas, signed by the Russian Ministry of Science and Higher Education (MSHE) and India Department for Science and Technology (DST).⁵⁶ It is smaller than ILTP, but provides support for dozens of projects by both sides annually. Thanks to the document, the relationship today covers multiple industries, allows for successful joint ventures, research projects, and technical exchanges. The parties have institutionalized communication and exchanges between respective science, technology, and startup communities. Regular communication is supported through a Working Group on S&T under auspices of Russia-India Inter Governmental Commission. Other channels include regular contacts of MSHE and DST; Russia-Indian Network [of universities],⁵⁷ Joint Technology Assessment and Accelerated Commercialization Programme; Russia-India Biotech Network (RIBN); agreements between Sirius Education Center and

⁵⁵ Shaumyan T. Russian-Indian Bilateral Cooperation / In: Stobdan P. (Ed.). *India-Russia Strategic Partnership: Common Perspectives*. New Delhi: Institute for Defence Studies and Analyses, 2010. URL: https://idsa.in/system/files/book/book_IndiaRussiaRelations.pdf; Mandal K., Priti, Grewal H. Looking back: India-Russia collaboration in Science and Technology // *Sociologia Nauki i Technologii – Sociology of Science & Technology*. 2016. Vol. 7 (3). P. 65-83.

⁵⁶ Russia – India Documents, signed ahead of the summit between President of the Russian Federation Vladimir Putin and Prime Minister of India Narendra Modi // President of Russia. 06.12.2021. URL: <http://www.kremlin.ru/supplement/5746>

⁵⁷ RIN; 30 Russian and 21 Indian universities; coordinators: Indian Institute of Technology in Delhi and Tomsk National Research State University.

Atal Innovation Mission; dialogue between Skolkovo, RUSSOFT⁵⁸ with Indian counterparts, etc.

Cases of Successful Cooperation

Science

In the 1990s, science cooperation and ILTP as its key element were nearly vacant, but after the Russian economy stabilized in the 2000s and in 2010s, the Programme was prolonged for another 10 years. At its peak in the 2000s, about 71 Russian Academy of Sciences (RAS) Institutes and 55 Indian laboratories and institutions were engaged in ILTP on a broad spectrum of topics, from medical laser technology to Earth and climate science, and from Baikal hydrates studies to high performance computing.

The size of post-Soviet ILTP was incomparable with that during 1987–1991, but several important research projects were executed in the 2000–2010s. Among them high performance computing center at the RAS Institute of Computer-Aided Design with Indian PARAM 1000 supercomputer and its cooperation with Centre for Development of Advanced Computing (C-DAC) in Pune. Since 2007, a new stream of joint research projects appeared, also as part of ILTP umbrella, through bilateral grants awarded by the Russian Foundation for Basic Research (RFBR) and the DST. Later on, granting programs gradually de-facto replaced ILTP as a basis of S&T cooperation, especially when RFBR signed agreements with Indian Council on Medical Research and DST in 2014 and 2015 respectively. Since then, several dozens of projects each year were supported (up to \$20,000 USD from each side per project⁵⁹) until 2020, when RFBR was merged with the Russian Science Foundation (RSF). RSF resumed joint project calls only in 2023, but with a smaller number of grants awarded.

There also were and still are some ad-hoc contacts and joint or contracted research projects between Russian universities and institutes or Russia-led institutions and their Indian counterparts – as well as peer-to-peer contacts between scientists from both nations. One of the most visible examples is collaboration as part of international Joint Institute of Nuclear Research in Dubna.⁶⁰ However, this cooperation does not seem to be viewed as a top priority by both sides, in contrast to official statements, say Russian experts.

High-Tech Cooperation

Technology seems to be a sounder area of the dialogue. Yet, it has not always been the case. Firstly, areas of mutual interest were limited to traditional strongholds of both nations and, thus, cooperation was path-dependent (e.g., pharmaceuticals from India, defense and nuclear technologies from Russia). Secondly, since the

⁵⁸ A Russian IT industry association.

⁵⁹ Ustyuzhantseva O. India and Russia have implemented hundreds of scientific and technical projects // Rossiyskaya Gazeta. 08.15.2016. URL: <https://rg.ru/2016/08/15/india-i-rossiya-realizovali-sotni-nauchno-tehnicheskikh-proektov.html>

⁶⁰ For more details, see: Joint Institute for Nuclear Research. URL: <https://www.jinr.ru/main-en/>

1990s it was very limited in size, especially in comparison with India – West relations, and mostly concentrated on mutual supplies of tech-intensive products or solutions rather than on true cooperation.

Differences in priorities, as well as industry specifics presented the limitations for the dialogue. For example, since the 1990s India was actively developing commercial IT services, pharmaceuticals, and (later) biotech. Russia did not have strong positions in the respective sectors, including in terms of investment capacity and internal demand, or could be seen as a competitor rather than partner by India, e.g. in cybersecurity software and later in the Internet economy technology. In pharma/biotech area Russia had very limited scientific capacity with very few technological successes.

In defense/nuclear-related areas, on the contrary, Russia's positions on technology have been strong and stable. Deep technology transfer, however, was always problematic due to the sensitive nature of these industries. India's market potential was not as strong since practical demand for nuclear reactors or fighters was limited – also because of their long lifecycle. Apart from this, the nation was interested in expanding its own tech and manufacturing capacity rather than import it.

Nuclear-related technology remains the greatest area for cooperation, with the Kudankulam Nuclear Power Plant being a key project. Complex and large-scale, the NPP engaged numerous Russian and Indian companies (from machine-building to construction) and spurred intense cooperation. As a direct outcome, Russia negotiates several new NPP projects in India, both nations cooperate on NPP Ruppur project in Bangladesh, and discuss further joint NPP projects in Asia and Africa with higher share of Indian manufacturing and services. Russian nuclear giant Rosatom also supplies India with medical isotopes (germanium-68, gallium-68, etc.) and looks for research partnerships. India and Russia are also exploring collaboration in digitally transforming the energy industry. India highlights opportunities for Indian and Russian enterprises to jointly integrate digital technology for optimizing energy production, delivery, and consumption. These partnerships could use the Internet of Things (IoT), data analytics, and automation to improve efficiency and lower operational costs in industries such as oil and gas, manufacturing, and power generation.

Certain activities could also be seen in the space sector. In the 1990s, Russia supplied cryogenic systems for India's ELVs.⁶¹ Since 2010, Russia is engaged in the preparation of future Indian human missions. According to all publicly available information, the Gaganyaan crew module and crew escape system had been tested in Moscow's wind tunnels; Russia is said to support development of Gaganyaan life support systems; Viomanauts are training in the Gagarin Cosmonaut Training Center in Russia. Some level of cooperation is seen also in Earth Observation and navigation systems. Since the late 2010s, both countries have discussed the placement of ground base stations for Russian GLONASS in India (near Bengaluru) and Indian Regional Navigation Satellite System (IRNSS, or NavIC) in Russia.

⁶¹ Original cooperative R&D was abandoned due to security reasons and, possibly, due to the US pressure on Moscow.

Intensive trade and limited cooperation mark the pharmaceutical area. India and Russia have already worked extensively pharmaceutical and biomedical research. Dr. Reddy's and other Indian companies have a strong presence in the Russian market. Cooperative research efforts and collaboration between Indian and Russian pharmaceutical corporations have aided in the creation of innovative drugs and medical treatments. For example, Indian pharmaceutical businesses have supplied generic medicines and pharmaceutical ingredients to Russia, assisting in meeting the country's healthcare demands. Collaborations in biotechnology research have also resulted in advances in medication discovery, vaccine development, and medical diagnostics. A specific case of cooperation is exemplified by the success story of Vikram Punia, who arrived to Russia as a student in the early 1990s and became co-founder of a big Russian pharmaceutical company "Pharmasynitez".

These ties received a new impetus during the COVID-19 pandemic, when Russian Sputnik V and Sputnik Light received regulatory approval in India and mass production was organized on Indian facilities of Serum Institute of India, Morepen Laboratories, Gland Pharma, Hetero Biopharma, Virchow Biotech, Panacea Biotech, Strides Pharma Science, Stelis Biopharma. This collaboration not only addressed the urgent need for vaccines but also demonstrated the potential of joint efforts in biotechnological advancements. However, despite intensive trade relations (India was the top-3 to top-7 largest exporter of pharmaceuticals and active pharmaceutical ingredients to Russia throughout the 2010s⁶²), only minor Indian investments were presented in Russian pharmaceutical markets. In 2023, big new projects were announced, but have not yet been realized (production facilities of Russian subsidiaries of Safecon Lifesciences and Anicare Bio Science⁶³).

Some cooperation is seen in IT sector. Although Russian companies were present in Indian markets for the last two decades (Kaspersky, ABBYY, etc.), it was not until recently that Russian entities established closer relations with India. New projects were announced in 2018, including RT-Invest Transport Systems (RTITS) agreements with National Highways Authority of India (NHAI) for GLONASS-based road tracking systems and toll payments (under joint venture Bharat Telematic Systems Private Ltd). During the 2018 Indo-Russian Annual Summit, both countries struck an agreement to collaborate on smart city development. Negotiations on Smart City and SafeTech projects were launched between Rostech and NtechLab (facial recognition solutions).⁶⁴ The Smart City Missions of India, and Russia's experience in urban planning and technology have paved the way for collaboration in the creation of smarter and more sustainable urban settings. The alliance aims to improve inhabitant quality of life and support sustainable

⁶² Nechaeva Y. Import of pharmaceutical substances into Russia // *Remedium*. 2020. No. 1–3. P. 17–19 ; Gubina M.A. Import substitution and/or export orientation: the case of Indian pharmaceutical industry // *St. Petersburg University Journal of Economic Studies*. 2020. Vol. 35. Issue 2. P. 197-222.

⁶³ RDIF to invest in import substitution of medicines // *OREANDA News*. 11.09.2023. URL: <https://www.oreanda-news.com/en/gosudarstvo/rdif-to-invest-in-import-substitution-of-medicines/article1488051/>; Indian drug JV to set up production in Murnansk by 2027 at cost of 9.2 bln rubles – FEDC // *Interfax*. 10.08.2021. URL: <https://interfax.com/newsroom/top-stories/93427/>

⁶⁴ Russia develops a major face-recognition scheme // *bne IntelliNews*. 2019. URL: <https://www.intelnews.com/russia-develops-a-major-face-recognition-scheme-162959/>

urban development and is find future customers. India generally sees potential in smart tech, including smart sensors, wearable devices, wireless communication, and data analytics. Both countries aim to develop creative solutions that can have a revolutionary influence on industries such as healthcare, agriculture, transportation, and environmental monitoring by pooling their research skills.

The next logical step in advancing bilateral IT cooperation appeared recently. In July 2023, Sberbank (also one of the biggest IT companies in Russia) announced it has received permission from the Reserve Bank of India to establish its IT unit in Bengaluru.⁶⁵ Russian IT industry association RUSSOFT, Skolkovo, other deep-tech related structures, startups and institutions also revealed an interest in working with India, from AI and quantum tech cooperation, to supplies of commercial products. India, for example, sees significant prospects in joint research and development in quantum computing. In 2019, India's Tata Institute of Fundamental Research (TIFR) already signed a memorandum of understanding with Russia's Skolkovo Institute of Science and Technology (Skoltech) to promote research and development in quantum technology.⁶⁶ The partnership focuses on exchanging knowledge, joint research projects, and the development of quantum computing tools. Although after the pandemic the Indian giant left the Russian platform, there is room for renewing such cooperation in the near future.

Moscow and New Delhi have also been discussing collaboration in the spheres of artificial intelligence and robotics. The Russian Direct Investment Fund (RDIF) and the Indian IT firm Infosys launched a collaboration project in 2020 to investigate potential in AI and digital transformation. The collaboration intends to enhance diverse areas such as healthcare, agriculture, and finance by leveraging AI-driven technology and produce new AI-driven solutions that may promote economic growth and improve quality of life by combining Russia's expertise in AI research with India's technological capabilities.

India and Russia have also looked at collaborating on bioremediation and environmental solutions.⁶⁷ Researchers from India and Russia have collaborated on initiatives involving wastewater treatment, soil decontamination, and environmental monitoring. Both countries hope to create sustainable solutions for minimizing environmental degradation and promoting an ecological balance by exchanging expertise and capabilities. Finally, several big medium-tech infrastructure contracts (like joint ventures between Transmashholding and Rail Vikas Nigam Limited to supply India with new Vande Bharat electric trains or Power Machines projects in India) are also supposed to have some high-tech supplies and cooperative efforts.

⁶⁵ Russia's Sberbank to set up IT unit in Bengaluru, to hire 200 specialists // The Economic Times. 27.07.2023.
URL: <https://economictimes.indiatimes.com/tech/technology/russias-sberbank-to-set-up-it-unit-in-bengaluru-to-hire-200-it-specialists/articleshow/102171756.cms>

⁶⁶ A Memorandum of Understanding (MOU) Between Indian Institute of Technology Bombay and Tata Institute of Fundamental Research for Establishment of a National Centre for Mathematics. 2020 // National Centre for Mathematics.
URL: <https://www.ncmath.org/sites/default/files/IITB-%26-TIFR-MOU-%20valid-until-Sept-2030.pdf>

⁶⁷ The use of biological organisms to remove pollutants from contaminated settings is referred to as bioremediation.

Failures

Yet, not all joint efforts materialize. Surprisingly, despite the long history of cooperation, key failures appear exactly in the projects that were supposed to be truly cooperative and/or were linked to large foreign direct investments. The biggest and most visible examples of a collaboration project that flopped is seen in aviation, both defense and civilian.

The first example was the Light Transport Aircraft project (LTA) SARAS-DUET, which has been promoted since 1991 by Myasishchev construction bureau and its Indian partners. Russia was in crisis and lacked financial resources, real-life international market experience was also absent, while India was not as advanced as it is now. However, there were some practical outcomes, including rising Indian competences in aerospace design.

Even more illustrative were projects that appeared when Russia's development stabilized and bilateral tech dialogue progressed. Yet, ideas of assembling SSJ regional jets and narrow-body medium-haul passenger MC-21 in India in the 2010s did not lead to any positive results, regardless of the promising effects for both sides and established ties between Sukhoi and HAL. No bilateral civilian aviation projects analogous to Chinese-Russian CR929 (though also unsuccessful) ever appeared. In terms of defense, the situation was the same. Indian participation in FGFA project (Fifth Generation Fighter Aircraft, based on Su-57 (T-50) design, since 2008) as well as in Multifunctional Transport Aircraft project (based on Il-214; since 2001) was cancelled in the late 2010s because of financial and technical controversies, as well as issues in tech transfers.

ICT is also quite indicative. The greatest Russian investment in India – the acquisition by Russian tech giant AFK Systema of local telecom operator to create Sistema Shyam Teleservices (SSTL, MTS India) – ended up as a dead-end too. Although the Russian government used SSTL capital to save the deal, corruption claims and overall operational problems in the Indian market forced Systema to unite assets with Reliance Communications (in exchange for RCom shares) and then to end the business with alleged losses amounting to 4 billion USD.⁶⁸ In the information technology sector (software, Internet markets, services), cooperation never took place until recently, regardless of the formal match or even how complementarity things may be, like India's market potential (also as the workforce source), and the possibility to use Indian counterparts as an "entry-ticket" for the regional markets.

These and other examples clearly indicate both the general economic and business/technology limitations of bilateral high-tech cooperation.

Limitations of High-Tech Cooperation

Economic factors such as funding availability and market demand can have an impact on the viability of high-tech cooperation. A major limiting factor in

⁶⁸ Sistema sells its 10 per cent stake to exit Reliance Communications // The Economic Times. 21.06.2018.
URL: <https://economictimes.indiatimes.com/industry/telecom/telecom-news/sistema-sells-its-10-per-cent-stake-to-exit-reliance-communications/articleshow/64674969.cms>

cooperation is the market size of Russia. Russia is a great power, though it has a relatively small economy with only 143 million people, a small middle class, and less than 3% of global GDP in PPP terms prior to 2022.⁶⁹ Also, Russia and India suffer from an inadequate budget to support domestic and international S&T activities, leaving bilateral cooperation without the much-needed resources. This is especially true for big and long-term projects.

Another limit is diverging tech-sovereignty/autonomy strategies and ideologies. Both nations accent the development of national R&D and local production capabilities. Although, the reasons differ (e.g. for India, it is also a social issue, needed to increase employment rate and reduce poverty) the outcome is the same: cooperative projects are seen through a prism of “nationalizing” key technologies and production/benefits, sometimes leading each side to view the partnerships as a zero-sum game. From this perspective, Russia – India high-tech relations are the same as of other developing nations, which always lack cooperative capacity as stakeholders see themselves either as technology recipients (also through FDI) or as beneficiaries of tech markets (high-tech production and exports to accumulate new resources for economic breakthroughs).

Another issue is that regulatory and political frameworks do not always coincide, rising costs and uncertainties for businesses and in terms of intellectual property protection. Concerns about data privacy and security in their turn might stymie collaboration in the modern era of digital technologies and data-driven advancements. Both countries must, thus, ensure that appropriate data protection regulations are followed and that secure routes for sharing sensitive information are established. High-tech collaboration frequently entails the transfer of sensitive technology and intellectual property. Concerns over the protection of intellectual information, patents, and trade secrets could render it difficult for India and Russia to share knowledge and expertise. Building trust and ensuring transparency in technology collaboration is crucial. Concerns about information security, misappropriation of intellectual property, and unauthorized use of technologies can undermine the willingness to share knowledge and resources.

Communication and collaboration between Russian and Indian researchers, engineers, and professionals might be also hampered due to cultural and linguistic difficulties. Miscommunication caused by cultural differences and language barriers makes market entry and cooperation problematic and might hinder the speed of technology exchange, progress and aggravate business risks.

The high level of monopolization of both economies and real or potential competition with local conglomerates for “technology rent” also limits cooperation, resulting in negative outcomes also for high-tech SMEs that (theoretically) may enter associate markets. Corruption in both countries is also a case, especially since models of this specific phenomena differ significantly.

As for business and technology-related limitations, businesses for both lack support and suffer from information asymmetries, while western (Japanese, German)

⁶⁹ GDP based on PPP, share of world // International Monetary Fund.
URL: <https://www.imf.org/external/datamapper/PPPSH@WEO/RUS>

practices of B2B information sharing are underdeveloped, and the engagement of business/industrial associations in supporting export and cooperation is rather nominal for Russian and India. The excessive bureaucratic nature of most Russian big-tech companies, partially because of state ownership, impedes dynamic and flexible decision-making, leading even potentially successful projects to a slow death.

Geopolitical factors can also have an impact on the extent and depth of a high-tech relationships through the respective business interlinkages. The countries have differing alignments with other global entities, which may make it difficult to coordinate their goals and interests in certain technological fields. And considering last three decades of development, Indian business is much more oriented on Western markets and technologies, as well as on partnerships with Western corporations.

The crisis surrounding Ukraine and the sanctions against Russia are limiting cooperation and dialogue in some areas. The recent Infosys withdrawal from the Russian market (regardless of its presence being minimal prior to 2022) due to secondary sanctions and overcompliance, clearly indicated that Indian private high-tech companies are quite cautious with defending any associations with Russia. Unlike Soviet times, an extremely small number of young Indian specialists, who studied in Russia or have experience in the Russian market/industries, prevent Indian companies from effective cooperation with Russia. Absence of Indian diasporas in Russia also narrows potential for communication and cooperation (unlike the US or the UK, where Indian tech communities support communication, projects, and FDI to the home country). Technological cooperation frequently necessitates skilled individuals with a specialized knowledge of a topic. A mismatch in the capabilities available in both nations can stymie the effective implementation and usage of high-tech cooperation.

Recommendations to Address Identified Issues

1. Hold regular strategic conversations to navigate any conflicting interests and address geopolitical problems, preventing STI collaboration, by openly addressing strategic priorities. In this regard, the creation of bi- or multilateral S&T institutions and/or research and production/pilot structures within political formats such as BRICS+ will also support business and technology adaptation to local markets. These structures should have a special regulatory status to lower associated risks and support harmonized rules. Joint Institute of Nuclear Research in Dubna may be seen as one of the possible models for this research initiative.
2. Create financial instruments to encourage collaborative research and development projects in high-tech areas. Financial incentives can promote collaborative innovation while reducing financial barriers. A five-to-tenfold rise of the number of grants for cooperative projects in STI area in the following five years is needed – also through BRICS+ instruments.
3. Collaborate to harmonize regulatory and legal frameworks related to technology transfers, data privacy, and intellectual property protection with a view to

establish transparent and thorough technology transfer agreements outlining the parameters of exchanging knowledge, intellectual property protection, and mutual benefits. These agreements can serve as a legal foundation for protecting proprietary information while encouraging collaboration.

4. Implement strong cybersecurity procedures to protect shared information and data. Establish secure communication routes, encryption standards, and protocols to ensure the confidentiality and integrity of sensitive technology-related information.

5. In aerospace, pharmaceuticals, and possibly other industries, move big programs to ad-hoc small-to-medium size projects to gain experience and form effective collaboration with step-by-step plans to elevate them to systemic partnerships.

6. Encourage academic institutions, research groups, and commercial firms to form public-private cooperation. These collaborations can pool resources, share expertise, and accelerate technological advancement. Engage the greatest Russian and Indian corporate entities in support of bilateral R&D projects (e.g. grants, regular R&D contracts, or crowdsourcing initiatives by Rosatom, Sber, Tata, Reliance, etc.). Also, to create and support business communication networks for general consultancy, information support, and data/best practice sharing, in cooperation with different industry associations and/or companies with business experience in partner nations, think tanks/research institutions focusing on Russia/India, and regional/central government/public trade and investment bodies. This is especially important for the IT sector.

7. Organize regular science, technology, and innovation cross “missions” to Russia and India for research and business communities. As for now, this practice is rare and has more of an ad-hoc than a systematic nature.

8. Encourage development of bilateral science education programs. These programs may engage not only university undergraduates, but also college and high school students. Business entities should be engaged in this program as well as charity donors and possible employers. Special international education-through-research programs may be established, including:

- “Basic cathedra” practices (last one to two years of higher education in a specialized research institution, making theoretical or applied research projects instead of “traditional” educational practices) for young Indian researchers in Russia and vice versa.
- BRICS+/Russia-India International Scientific and Education Centers (modeled after Russian NOTZ program).
- “Student construction bureaus” – infrastructure for undergraduate-led technology projects (as in some Russian universities) oriented on corporate demand.

Conclusion

Russia and India enjoy a long history of successful geopolitical cooperation that has endured the escalation of the Ukrainian crisis in February 2022. The countries treat each other as reliable partners and are set to foster multipolarity and ensure fairer opportunities for the countries of the Global South to engage in international affairs. Though many sceptics remain pessimistic about the future of Russia – India ties, pointing at the areas of disagreements between the two countries, the partnership continues to serve as a model great power relationship in many regions, including in the Arctic, Central Asia, Middle East, and Africa. The restraint and mutual respect the parties have for one another, even if their interests do not overlap, preserve the relationship from fluctuations in global politics.

Though Russian and Indian experts assess particular aspects of the bilateral ties differently, they admit that Moscow and New Delhi have to find a way to bring their relationship forward and positively assess the prospects of more projects to be implemented. The two countries have a long history of trade, energy and high-tech cooperation and seem to be committed to working together, identifying similarities and differences and evening the balance between them.

Russia and India have already significantly boosted overall trade cooperation in 2022. First of all, the prevalent geopolitical and geo-economic environment presents a variety of opportunities to bolster the bilateral trade in conventional fossil fuels. Moreover, there is a momentum to diversify and find brand-new solutions in the field of a more green economy that includes new nuclear energy technology, green hydrogen production, and projects in renewable energy sources. According to experts, introducing green initiatives to energy cooperation could ensure the stability of trade in energy carriers and help Moscow and New Delhi to catch up with the global climate agenda.

National businesses are also increasingly interested in expanding the presence in each other's markets with favorable conditions introduced at the political level. The spheres of the bilateral trade cooperation are gradually diversifying and nowadays encompass primarily collaborations in natural resources, fertilizers, agricultural goods, precious metals and arms, as well as successful cases of promoting digitization, developing infrastructure and creating new pharmaceutical products.

Advanced technology is considered as a key sphere for direct foreign investments. So far, the range of successful projects in this area are limited due to funding shortage, non-complementary national objectives in the technological sector, lack of qualified specialists to realize comprehensive projects, and the focus on technological exchange rather than creating joint ventures. However, experts are cautiously expecting more collaborations in IT software, quantum computing, smart urban planning, biotechnologies, and environmental solutions.

At the same time, the parties have to consider a number of potentially negative factors that might reduce the scope of Russia and India's partnership. A major one is the excess amount of rupees accumulated by Russia, creating an alarming trade

imbalance. Additionally limiting, are restrictions on foreign capital flows that make it difficult to send the currency back to India. Also there remain differences in foreign and energy policy priorities, the risk of secondary sanctions, limitations of investment cooperation and sensitive technological exchanges. All this demands structural change in bilateral trade, qualitative diversification of investment areas and joint search for such opportunities.

Thus, it is imperative to craft an integrated strategy to monitor and implement a mutually agreed roadmap in key domains. The comprehensive approach would help to harmonize Russia – India energy ties with external conditions and therefore bring mutual benefits from existing possibilities. From both Russian and Indian perspectives, policymakers should pay special attention to the commercial side of cooperation between Moscow and New Delhi and create a positive atmosphere for successful agreements. The practical recommendations presented by the authors of this report are devised to assure mutual advantages and address potential hurdles.

About the Authors

Introduction:

Tobby Simon (Team Leader) – President, Synergia Foundation.

Pankaj Saran – Former Deputy National Security Advisor and Former Ambassador of the Republic of India to the Russian Federation.

Andrey Kortunov (Team Leader) – Academic Director, Russian International Affairs Council.

Trade:

Venkatesh Varma – Former Ambassador of the Republic of India to the Russian Federation.

Major General Paul Naidu – Strategic Advisor, Synergia Foundation.

Lydia Kulik – Head of India Studies, Moscow School of Management SKOLKOVO, Senior Research Fellow, Institute of Oriental Studies of the Russian Academy of Sciences.

Energy:

Ranjan Mathai – Former Foreign Secretary, Government of India.

Kapil Mohan – Additional Chief Secretary, Government of Karnataka.

Vladimir Likhachev – Deputy Director, Centre for Sustainable Infrastructure Development Research, Institute of Economics and Utility Regulation, Higher School of Economics.

High-Tech:

Kiran Kumar – Former Chairman of Indian Space Research Organization.

Lt. General G A V Reddy – Strategic Advisor, Synergia Foundation.

Ivan Danilin – Head of Department, Department of Science and Innovation, Primakov National Research Institute of World Economy and International Relations, Russian Academy of Sciences.

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RIAC is a leading Russian think tank with an annual research program that covers over 20 subject matter areas. The Council's expertise is widely used by the Russian government, academic community, and domestic and international companies involved in international activities.

Apart from its analytical projects, RIAC is deeply involved in building a strong network of young foreign policy professionals and diplomats. The Council takes an active part in expert diplomacy through ongoing partnerships with international research centers, universities, and business associations.

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Synergia Foundation

Synergia is an independent strategic affairs think tank, based in Bengaluru, the Republic of India, that provides on-demand consultation to corporate boards, governments and R&D institutions to accelerate effective policies and provide intervention tools when needed to better global governance and trade. The think tank works at the confluence of policy, international affairs, technology and geo-security.

Synergia provides both insights and solutions that enable key stakeholders to look at issues ahead of the curve and respond proactively. Synergia identifies both challenges and opportunities, ideate with subject matter experts from all over the world, gathers real time information and provides a 360-degree perspective of a situation, often mitigating risks and turning them into opportunities. Toby Simon is the Founder and President of the think tank.

Notes

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Tel.: +7 (495) 225 6283
Fax: +7 (495) 225 6284
welcome@russiancouncil.ru

119049, Moscow,
8, 4th Dobryninsky pereulok

russiancouncil.ru