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PROSPECTS FOR RUSSIAN-INDIAN COOPERATION TRADE AND ECONOMIC COOPERATION IN THE CONTEXT OF SANCTIONS

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Highlights

- Cooperation with India is seen as one of the key ways to ease sanctions pressure on Russia through the diversification of export-import operations and the development of alternative directions.
- In 2023, the volume of trade turnover between Russia and India reached a record level of $ 65 billion, but a significant imbalance remains: India's imports from Russia amount to $ 60.9 billion, while exports to Russia amount to only $ 4.1 billion.
- Eliminating the imbalance is possible through expanding the range of Indian exports (pharmaceuticals, electronics) and implementing joint investment projects in infrastructure and manufacturing.
- India remains a strategic partner of Russia in a multipolar world, providing strategic support within the BRICS and SCO.

Abstract

I*ntroduction:* The article highlights the negative impact of Western sanctions on the Russian economy and emphasizes the importance of cooperation with India to diversify export-import flows. India's high economic potential and growing role in the global economy make it a priority for Russia's eastern policy.

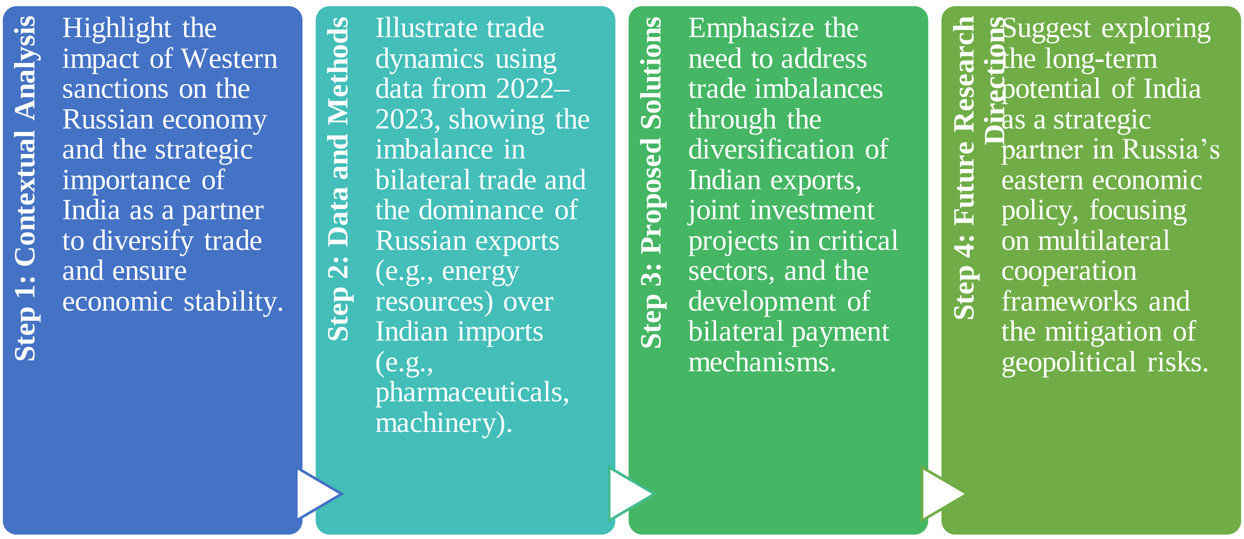
M*ethods:* The study is based on an analysis of customs statistics, national statistical data, and academic publications. Methods of systematization, generalization, and specification were employed to identify the key areas of bilateral cooperation.

R*esults*: The findings underline that the core of bilateral interaction is the supply of oil and gas from Russia to India. However, the trade imbalance necessitates increasing Indian exports and developing joint investment projects. Priority sectors include energy, pharmaceuticals, agriculture, and high technology.

Available Data: Trade statistics indicate an increase in turnover from $32.5 billion in 2022 to $65 billion in 2023. India's main exports include pharmaceutical products, organic chemicals, electronics, and mechanical equipment, while Russian exports primarily consist of oil, fertilizers, and metals.

D*iscussion:* The discussion highlights the need to address the trade imbalance through the diversification of Indian exports and strengthening cooperation within multilateral frameworks. Risks related to India's reorientation toward Western markets are discussed, and measures such as expanding joint ventures are proposed to enhance mutual trust. In conclusion, the article underscores the strategic importance of the Indian direction for Russia and outlines solutions to current challenges in economic relations.

Graphical abstract



Keywords

Russian-Indian relations, foreign trade of Russia, Russia and India, trade and economic relations, turn to the east.

JEL classification: F15, F17, P28.

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Introduction

The Russian economy is experiencing a negative impact of sanctions aimed at the financial, energy, aviation, fuel and energy sectors, as well as the production of consumer goods. In these circumstances, Russia's cooperation with India is a factor in weakening the sanctions policy imposed on Russia. Asian economies have emerged as alternative destinations for Russian exports, as well as new sources of imports. Thus, in 2023, the trade turnover between Russia and India totaled $ 65 billion, which is 1.8 times more than the results of 2022 [1]. Russia is currently India's fourth largest trading partner. India, as one of the world's largest economies, is a promising market for Russian products and technologies, as well as an important partner in the fields of energy, defense, pharmaceuticals and digital technologies. Moreover, India's role in the multipolar world continues to grow, which underlines the relevance of an in-depth analysis of Russian-Indian economic relations. The high economic potential of India, as well as the deepening of economic cooperation with Russia, indicate that the eastern vector of Russian foreign economic policy is becoming of key importance, and the study of forecasts and prospects for cooperation is an urgent research task. Therefore, *the purpose* of this article is to identify promising areas of economic cooperation between Russia and India.

In scientific discourse, trade and economic relations between Russia and India are often considered in the context of trilateral cooperation between Russia, India and China. This approach is due to the geopolitical and economic importance of these countries in the global system of international relations, as well as their participation in key regional organizations such as BRICS and the Shanghai Cooperation Organization (SCO). The analysis of interaction in this triangle allows us to identify common interests and conflict zones, as well as to better understand the strategic dynamics and prospects of their cooperation in the context of the transformation of the global economic architecture. In scientific articles by M. S. Reschikova, S. V. Uyanaev, Z. Munir, R. Keshari, etc. special attention is paid to the political component of interaction between the countries under consideration. Thus, M. S. Reschikova, studying the peculiarities of Russia's relations with these countries, points out that India and China are entering the role of Russian strategic partners both in the Asian direction and in the context of global cooperation. India-China contradictions related to both territorial disputes and economic competition remain an obstacle to deepening integration between Russia, India and China. These differences, according to the author, hinder the development of full-fledged international cooperation, which affects the dynamics and effectiveness of interaction between Russia and India [2].

S. V. Uyanaev comes to a similar conclusion in the context of the development of the dialogue between Russia, India and China. Resolving territorial disputes and reducing tensions between India and China are critical to advancing cooperation. highlights Russia's activities aimed at normalizing India-China relations. According to the author, Russia's diplomatic role contributes to ensuring stability and creates conditions for more effective development of economic ties [3]. The article by Z. Munir and R. Keshari shows that Russia's influence on bilateral Indian-Chinese relations is an important aspect in the context of geopolitical dynamics in Asia and on a global scale. Thus, the authors point out that Russian-Chinese and Russian-Indian relations are based on political and economic cooperation, but relations between China and India are complicated by territorial disputes and competition for influence in the region. In this context, Russia can act as an intermediary that helps to mitigate political tensions and ensure economic stability [4].

L. Kulik examines the peculiarities of economic cooperation between Russia, India and ChinaL. Kulik. The author shows that the volume of trade between Russia and India is currently growing rapidly due to a significant increase in exports of energy carriers, fertilizers, iron and steel, wood products, vegetable and animal oils from Russia to India. The author also points to a slowdown in the growth of bilateral trade between Russia and China, which is caused by a slowdown in the growth of the Chinese economy. However, despite the downward trend, China is acting as a market for Russian fuel and energy resources, as well as a key supplier of consumer and industrial products [5].

The research of scientific publications confirms that the researchers ' focus is on foreign economic relations between Russia and China, which is related to the scale of economic ties, the strategic importance of the Chinese market for Russian exports, and the active dynamics of bilateral projects, especially in the energy sector and infrastructure. At the same time, relations between Russia and India, despite their historical significance and strategic potential, remain relatively less studied in the scientific literature. Such an imbalance in scientific attention forms a significant gap, since the Indian direction of Russian foreign economic policy has a significant potential for development. The elimination of the identified scientific gap in the research agenda will allow us to gain a more complete understanding of the versatility of Russia's economic ties in Asia and develop more effective approaches to developing cooperation.

Methods

To achieve the research goal, which is to identify promising areas of economic cooperation between Russia and India, the following methods of scientific knowledge are used: analysis and systematization of information, generalization, analogy, and specification. The research materials are data from customs statistics, as well as scientific articles on the subject of research.

Results

The signing of the Declaration on Strategic Partnership laid the foundation for the development of bilateral cooperation between Russia and Indiaподписание Декларации о стратегическом партнерстве, and already in 2010, cooperation between the two countries acquired the status of a special and privileged strategic partnership [6]. Trade and economic cooperation occupies a key place on the agenda of bilateral relations, which is confirmed by the goals set by the governments: to increase the volume of mutual investment to $ 50 billion, and bilateral trade to $ 30 billion by 2025. These ambitious plans call for increased efforts in a number of areas, including removing barriers to trade, developing transport and logistics infrastructure, and promoting joint projects in strategically important sectors such as energy, pharmaceuticals, information technology, and agriculture [7].

According to the materials of the 25th session of the Intergovernmental Commission on Trade, Economic, Scientific, Technological and Cultural Cooperation between India and Russia (IRIGC-TEC), дachieving these goals is also associated with the implementation of major infrastructure initiatives, such as the North-South International Transport Corridor, which can significantly improve logistics and reduce cargo delivery time between Russia and India. Moreover, the deepening of economic ties within the framework of multilateral formats, such as BRICS and SCO, opens up additional opportunities for the diversification of partnership. Considering the specifics of economic relations between Russia and India, it should be noted that during the Covid-19 pandemic, the volume of bilateral trade decreased from$ 11.2 billion in 2019 to $ 9.26 billion in 2020 (Fig. 1).

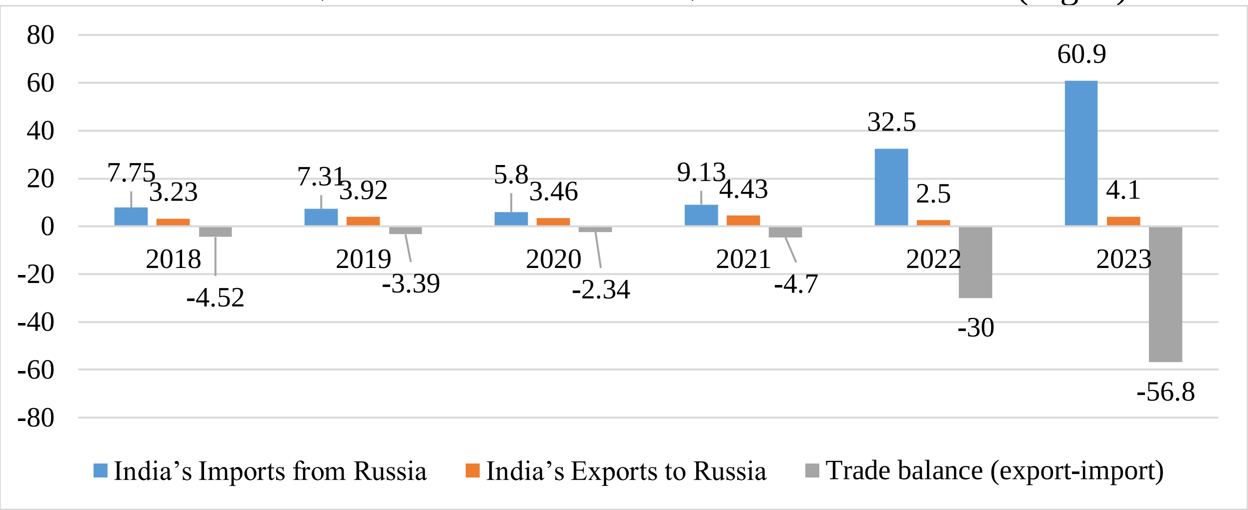

Fig. 1. Trade between Russia and India in 2018-2023, US$ billion

Source: compiled by the authors using data from [1; 8]

The recovery and growth of Russia's foreign trade with India is observed against the background of the aggravation of geopolitical contradictions and the search for markets for Russian hydrocarbons [1]. Despite the risks of Western sanctions, economic relations between Russia and India are developing. According to the Indian Ministry of Commerce, bilateral trade between India and Russia reached a record high of $ 65 billion in 2023, where India's imports from Russia totaled $ 60.9 billion, and exports to Russia totaled $ 4.1 billion. The difference between exports and imports is negative and amounted to -56.8 billion dollars [8]. India's main exports in 2023 include pharmaceuticals, organic chemicals, electrical machinery, mechanical appliances, and iron and steel (Fig. 2).

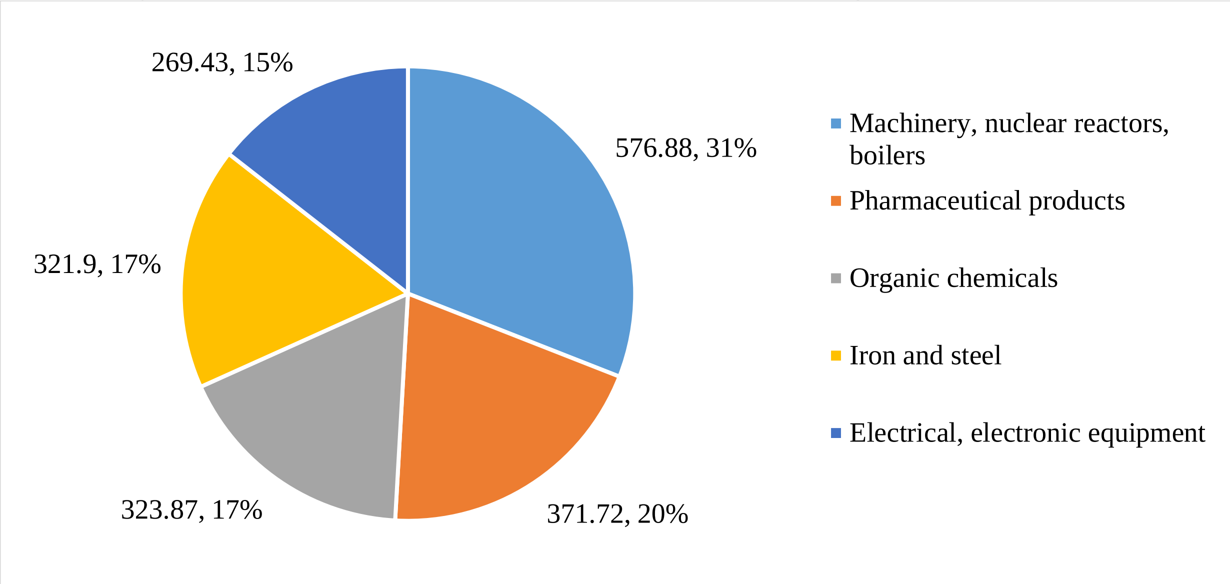

Fig. 2. India's Exports to Russia in 2023, US$ million

Source: compiled by the authors using data from [5]

The main imports from Russia in 2023 are oil and petroleum products, fertilizers, mineral resources, precious stones and metals, as well as vegetable oils (Fig. 3).

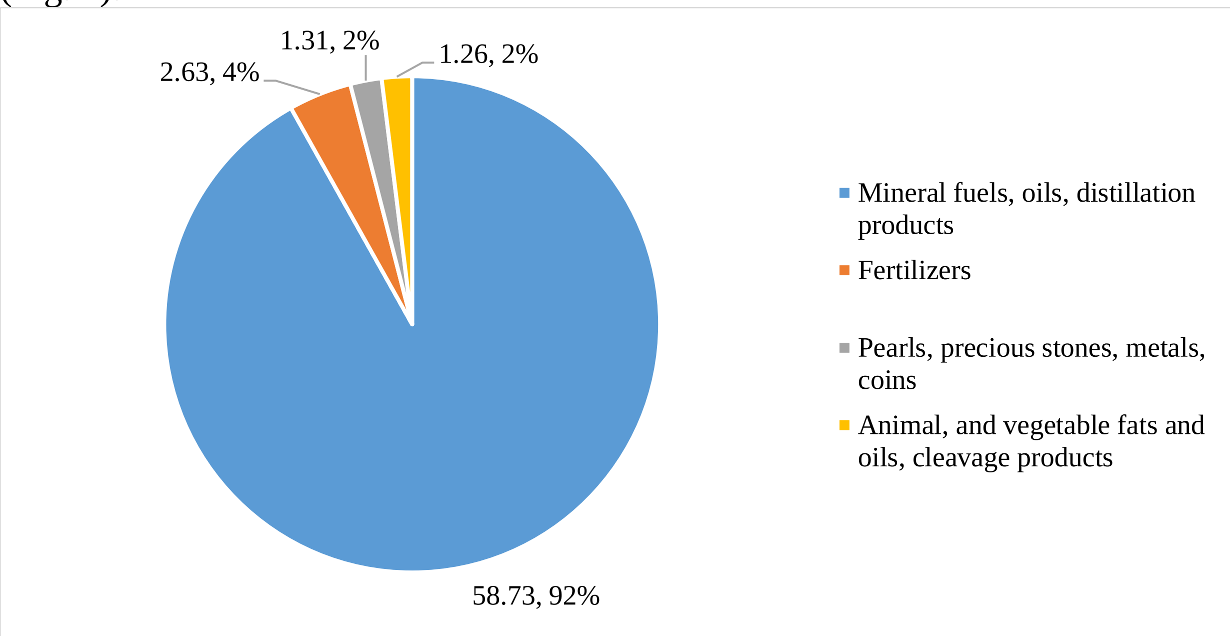

Fig. 3. India's Imports from Russia in 2023, US$ billion

Source: compiled by the authors using data from [5]

The sanctions imposed in 2022 on Russia, as well as the redirection of energy flows, have changed the structure of Russian-Indian foreign trade. So, in 2022, India ousted Europe from the position of the main buyer of offshore oil from Russia, having repeatedly increased the import of fuel and energy resources. And the export of crude oil from India from Russia in 2023 amounted to 48.64 billion dollars (Fig. 4).

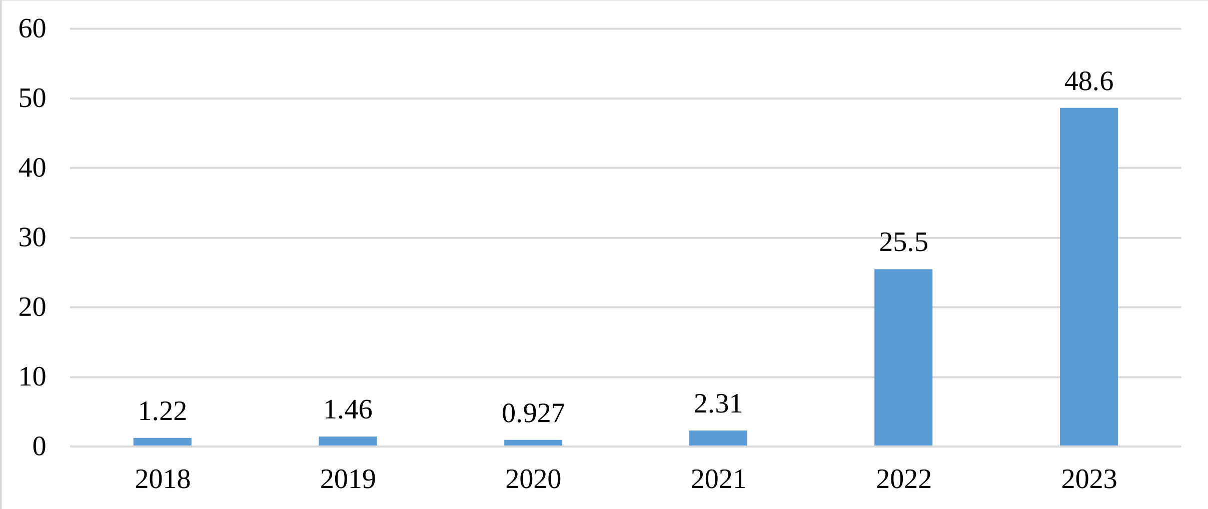

Fig. 4. India Imports from Russia of Crude Oil, US$ billion
Source: compiled by the authors using data from [9]

In 2022, Russia increased its oil exports to India by a factor of 11, making it the largest supplier of oil to the Indian market. The imbalance in foreign trade between Russia and India is a source of difficulties associated with the accumulation of Indian rupees, since large volumes of Russian oil supplies to India in 2022ax and the refusal to settle in dollars have created a situation where Russian companies have accumulated huge reserves of Indian currency, since Russia does not buy such quantities of goods in India. The need to correct this imbalance opens up opportunities for developing bilateral relations, in particular through the development of joint investment projects and increasing imports from India. Possible measures to achieve a balance include joint investments in infrastructure and manufacturing projects in India, such as auto parts and pharmaceutical products. India, in turn, could increase exports of industrial equipment, electronics and medical devices to Russia. The prospects for exporting Indian labor to meet the staffing needs of the Russian market are also discussed.

Based on the analysis, the following prospects for the development of trade and economic relations between Russia and India can be identified. First, Russia will continue to be a key supplier of oil and gas to India, and the expansion of cooperation is expected to expand the supply of liquefied natural gas (LNG). Secondly, in the context of eliminating the trade imbalance, there will be a gradual expansion of India's export range, including pharmaceuticals, electronics, textiles, industrial equipment and agricultural products. Russian imports can be increased by developing transport infrastructure and simplifying customs procedures.

Third, strategic directions include the creation of joint ventures in such areas as the production of auto parts, pharmaceuticals, agricultural technologies and infrastructure. Fourth, the expansion of the use of rupees and rubles in settlements will reduce dependence on the dollar, but requires the creation of effective mechanisms for the liquid use of accumulated foreign exchange reserves.

Available Data

Trade statistics indicate an increase in turnover from $32.5 billion in 2022 to $65 billion in 2023. India's main exports include pharmaceutical products, organic chemicals, electronics, and mechanical equipment, while Russian exports primarily consist of oil, fertilizers, and metals.

Discussion

Considering the prospects of economic relations between Russia and India, it should be noted that the high growth rates of the Indian economy create favorable conditions for Russian exports. At the same time, in order to achieve a balance in foreign trade, it is expected to expand the range of imports from India, as well as investments from Russian enterprises in the Indian economy.

It is expected that the continued supply of energy resources, such as oil and gas, from Russia to India and China will remain an important aspect of economic relations between the two countries, as fuel and energy resources are key elements for ensuring India's energy security. It is predicted that long-term trade relations between Russia and India will continue to develop based on their mutual interests and needs. Cooperation with India is seen as one of the key ways to ease sanctions pressure on Russia through the diversification of export-import operations and the development of alternative directions, and India remains an important partner of Russia in a multipolar world, providing strategic support within the BRICS and SCO.

It seems that the goal set by the governments of both countries to achieve a trade turnover of 30 billion by 2025 is realistic, given the current acceleration of trade cooperation. However, achieving this goal will depend on removing barriers and logistical problems. India, as one of the key partners in Asia, can become an important element of the diversification of Russia's economic strategy. The focus on cooperation with India will reduce dependence on other Asian markets, in particular China.

Credit authorship contribution statement

All authors have made an equivalent contribution to the preparation of the publication.

Declaration of competing interest

The authors declare that there are no conflicts of interest.

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