

Prospects for Economic Cooperation between India and Russia

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Abstract: - *India and Russia are traditional economic partners. With the joint efforts of both sides, India and Russia begin to promote free trade zone negotiations, economic cooperation has been accelerated. The prospects for economic cooperation between India and Russia are affected by many factors, we estimate, the scale of economic cooperation between India and Russia will be further expanded, the structure of economic cooperation will be further optimized, the pattern of economic cooperation will be further diversified, Russia will be more urgent for economic cooperation with India in the future.*

Keywords: - *India ; Russia ; economic cooperation ; prospect*

1. New Development of India-Russia Economic Cooperation

The early contacts between Russia and India can be traced back to the era of geographical discovery in the 15th century, when Russian merchants first arrived in India and became the beginning of contact and interaction between the two countries. India is an important trading partner of the former Soviet Union. 70% of Soviet tea imports, 60% of coffee imports, and 30% of pharmaceutical imports come from India. With the assistance of the former Soviet Union, India has established more than 70 industrial projects in the fields of black and non-ferrous metallurgy, heavy engineering, electrical engineering, petroleum and petroleum. In 1990, India's trade with the former Soviet Union reached \$5.5 billion. Both Russia and India have a high evaluation of this history and believe that Russia and India have a more "naturally good" partnership foundation.

The disintegration of the Soviet Union has had a serious negative impact on Russia-India relations. From 1990 to 1991, the Soviet Union accounted for more than 10% of India's foreign trade. In 1991-1997, the trade volume between Russia and India fell to 3.457 billion US dollars, 1.391 billion US dollars, 1.11 billion US dollars, 1.298 billion US dollars, and 1.914 billion US dollars. At 1.45 billion U.S. dollars and 1.554 billion U.S. dollars, by the end of the 1990s, Russia accounted for almost 2%

of India's foreign trade. Russian President Vladimir Putin first visited India in October 2000 and signed the "Strategic Partnership Declaration". Since then, the two sides have reached a series of specific cooperation agreements in the political, economic and military fields. [1]

In 2010-2017, the trade volume between India and Russia increased from 8.536 billion US dollars to 9.358 billion US dollars, an increase of 9.63%. Among them, India's exports to Russia increased from 2.143 billion US dollars to 2.902 billion US dollars, an increase of 35.42%; India's imports from Russia increased from 6.392 billion US dollars to 6.456 billion US dollars, an increase of 1%. In 2010-2017, India ranked 17th among the best foreign trade partners in Russia (2010, 2015, 2016, 2017), with the largest share accounting for 1.65% (2016). In 2017, Russia's main exports to India were: mineral products (24.7%), machinery and transportation (19.9%), precious metals and precious stones (16.0%), and chemicals (11.2%). The main commodities imported by Russia from India in 2017 were: chemical products (34.2%), food and agricultural raw materials (23.0%), machinery and transportation (18.5%), textiles and shoes (13.0%). [2]

1.1 Scale of international trade between India and Russia

From January to September 2018, the trade volume between Russia and India was 7.856 billion U.S. dollars, an increase of 18.96% compared with the same period in 2017. Among them, Russia's exports to India amounted to 5.509 billion US dollars, an increase of 24.02%; Russia's import from India was 2.353 billion US dollars, an increase of 8.60%. The trade surplus between Russia and India in the first nine months of 2018 was \$3.150 billion, an increase of 38.73% compared with the same period in 2017.

From January to September 2018, India's share of Russian foreign trade was 1.57% (1.59% in the same period of 2017) and ranked 17th among Russian trading partners (17th in 2017). India's share of Russia's foreign trade exports was 1.69% (compared with 1.76% in the same period in 2017), ranking 16th (in the same period in 2017); India's share of Russia's foreign trade imports was 1.34% (In the same period of 2017, it was 1.34%), ranking 19th (compared with 21st in 2017).

1.2 Export structure of India to Russia

From January to September 2018, India's main commodity categories for Russia's exports are as follows:

- ✓ Chemical industry products - accounting for 30.76% of Russia's total imports from India (33.41% in the same period in 2017);
- ✓ Machines, equipment and vehicles - accounting for 23.19% of Russia's total imports from India (18.18% in the same period in 2017);
- ✓ Food and agricultural raw materials - 22.55% of Russia's total imports from India (23.48% for the same period in 2017);
- ✓ Textiles and shoes - accounted for 11.92% of Russia's total imports from India (13.81% in the same period in 2017);
- ✓ Metals and their products - accounted for 5.94% of Russia's total imports from India (compared with 6.10% in the same period in 2017).
- ✓ From January to September 2018, the largest increase in India's exports to Russia was:

- ✓ motors and equipment and their parts, recording and video equipment and their spare parts, increased by 87,013,040 US dollars;
- ✓ Nuclear reactors, boilers, machinery and equipment, increased by 38,959,643 US dollars;
- ✓ meat and animal offal, increased by 32,356,252 US dollars;
- ✓ land transport, rail or tram vehicles and their parts, increased by 21,743,554 US dollars;
- ✓ Fish and crustaceans, mollusks and other aquatic invertebrates, increased by 18,158,076 US dollars;
- ✓ organic chemicals, increased by 14,669,154 US dollars;
- ✓ Natural or cultured pearls, precious stones, precious metals and their products, jewellery and coins, increased by 11,438,090 US dollars;
- ✓ leather goods, harnesses, travel accessories, handbags, increased by 9,212,525 US dollars;
- ✓ Rubber and its products, increased by 8,548,534 US dollars.
- ✓ From January to September 2018, India's exports to Russia fell the most year-on-year:
- ✓ pharmaceutical products, reduced by 34,391,908 US dollars;
- ✓ oilseeds and fruits, medicinal plants, feed, reduced by 26,026,969 US dollars;
- ✓ Miscellaneous food, reduced by 21,330,240 US dollars;
- ✓ Clothing and apparel accessories other than knitting or crocheting, reduced by 11,312,363 US dollars.

1.3 Import structure of India to Russia

From January to September 2018, the main commodity categories imported by India from Russia are as follows:

- ✓ Mineral products, accounting for 23.89% of Russia's total exports to India (compared with 27.46% in the same period in 2017);
- ✓ Machines, equipment and vehicles accounted for 23.25% of Russia's total exports to India (17.47% for the same period in 2017);
- ✓ Precious metals and precious stones, accounting for 15.88% of Russia's total

exports to India (compared with 18.37% in the same period in 2017);

- ✓ Chemical industry products, accounting for 12.94% of Russia's total exports to India (11.00% for the same period in 2017);
- ✓ Wood and pulp and paper products, accounting for 5.13% of Russia's total exports to India (6.83% in the same period in 2017);
- ✓ Metals and their products accounted for 3.92% of Russia's total exports to India (4.08% for the same period in 2017);
- ✓ Food and agricultural raw materials, accounting for 0.68% of Russia's total exports to India (1.95% in the same period in 2017).

From January to September 2018, the largest increase in India's imports from Russia was:

- ✓ Nuclear reactors, boilers, equipment and machinery - increased by 289,193,006 US dollars;
- ✓ motors and equipment and their parts, recording and video equipment and their spare parts, increased by 204,765,826 US dollars ;
- ✓ fossil fuels, petroleum and its distillation products, bituminous materials, mineral waxes, increased by 107,182,976 US dollars;
- ✓ Fertilizer, increased by 93,679,052 US dollars;
- ✓ inorganic or organic compound of inorganic chemical products, precious metals, rare earth metals, radioactive elements or isotopes, increased by 80,419,374 US dollars;
- ✓ natural or cultured pearls, precious stones, precious metals and their products, jewelry and coins, increased by 58,514,151 US dollars ;
- ✓ instruments and equipment and their spare parts for optics, photography, film, measurement, control, precision, medical or surgical operations, increased by 548,157 US dollars;
- ✓ paper and paperboard and their products, pulp, increased by 28,749,336 US dollars;
- ✓ Plastics and their products, increased by 23,133,368 US dollars;
- ✓ Organic chemicals, increased by 21,681,274 US dollars.

From January to September 2018, the largest decline in India's imports from Russia was:

- ✓ books, newspapers and manuscripts, reduced by 52,782,775 US dollars;
- ✓ land transport, rail or tram vehicles and their parts, reduced by 29,795,094 US dollars;
- ✓ Grain, reduced by 28,164,961 US dollars. [3]

2. Influencing factors of India-Russia economic cooperation

2.1 The basis of traditional partnership between India and Russia

The diplomatic relations between the Soviet Union and India were established on April 13, 1947. The Soviet Union has India's indispensable industrial technology, providing construction services at a lower price than the United States and the United Kingdom, making the Soviet Union a very profitable partner. In the 1970s, the Soviet Union began to play a key role in India's foreign trade. The joint Su-Indian company produced 30% of India's steel production, 16% of iron ore production, 60% of oil production and 30% of processing. Almost a quarter of electricity, half of the metallurgy, and most of the energy and mining equipment are produced by the Su-Indian joint venture. After 1991, Russia and India signed more than 200 bilateral documents. The founding document of Russia-India relations was the Treaty of Friendship and Cooperation between the Russian Federation and the Republic of India on January 28, 1993. In October 2000, during the state visit to Russia by Russian President Vladimir Putin, the Russian Federation and the Republic of India signed the "Declaration of Strategic Partnership". Russia and India maintain a high degree of political contact and hold high-level meetings and talks every year to discuss the main areas of cooperation between the two countries, as well as current international and regional issues. [4]

2.2 Convergence of multiple interests between India and Russia

In addition to the interests of economic cooperation, India and Russia maintain a long-term military cooperation relationship. Military cooperation is the most powerful pillar of Russia-India relations, and

the military-military and military-technical cooperation plays the role of ballast stone. Since 2007, India has become Russia's largest arms and has since occupied about 30% of Russia's total arms exports. The respective strategic interests of Russia and India, as well as changes in the global geopolitical and security situation directly affect the motives and willingness of Russia-India military cooperation. In December 2009, Russia and India signed the "Outline of Military and Technical Cooperation between Russia and India from 2011 to 2020" as a guiding document for cooperation between the two sides in this field. The high-level officials of the two countries signed a military technical cooperation agreement through regular meetings, stipulating the specific tasks of the phased cooperation between the two sides. Russia is the only country in the world that is willing to sell its secrets when India cooperates in sensitive military technology. According to statistics, from 2000 to 2016, India imported more than 30 billion US dollars' worth of weapons and equipment from Russia. [5]

2.3 The existence of balance relations between India-United States and India-Russia

The United States and Russia are vying for world dominance and attach great importance to India's geopolitical role. After 2007, the United States gradually replaced Russia as India's largest arms exporter, and the ally of the two countries is heating up. In order to suppress Russia and China, the United States has tried to include India in its sphere of influence. 2017 marks the 70th anniversary of the establishment of diplomatic relations between the United States and India. The two sides stressed that the close partnership between the United States and India is crucial to peace and stability in the region and decided to expand and deepen the strategic partnership between the two countries and advance common goals. These goals include combating the threat of terrorism, promoting stability in the Indian Ocean-Pacific region, increasing freedom and fair trade, and strengthening energy links. [6] At the beginning of 2018, the United States began to implement the "Counter against the US Enemy by Sanctions Act", focusing on third parties that have links with Russian defense or intelligence agencies,

and stipulates that individuals or entities that have "significant cooperation" with US sanctions should be "Sub-sanctions". From the current point of view, the balance of India-US-India-Russia relations has not yet been broken. It remains to be seen whether the United States will provide sanctions immunity to India and adopt a new containment policy due to military cooperation between Russia and India.

2.4 "Indo-Pacific Strategy" "has not yet fully satisfied interests of India

Under the "Indo-Pacific Strategy", India further strengthened its strategic relationship with the United States, signed the "Decade of Defense Framework Agreement" with the United States, and issued the "United States-India Joint Strategic Concept Statement on Asia-Pacific and Indian Ocean Regions". At the same time, it will raise the relationship with Japan to a new height and establish a "special global strategic partnership" between India and Japan. On the economic front, the Japanese government is committed to investing \$35 billion in India over the next five years, mainly for infrastructure construction and smart city construction; participating in the Delhi-Mumbai Industrial Corridor; building from Mumbai to Ahmedabad High-speed trains, etc. To strengthen the political and security dimension, the Indian government has adopted a more active and proactive foreign policy, established closer strategic partnerships with the United States, Japan and Australia, while increasing India's political involvement in the Asia-Pacific region to enhance its presence in the Asia-Pacific region. The checks and balances in the geopolitical competition. However, until now, the trade volume between India and the "Indo-Pacific" countries has not improved significantly, and the trade relations with the United States, Japan, and Australia have not been fundamentally improved. The "Indo-Pacific Strategy" "has not yet fully met India's economic interests. [7]

3. Prospects for India-Russia Economic Cooperation relations

Constrained by geopolitics and the game of big powers, the factors affecting the development of India-Russia economic and trade cooperation are

complex and changeable, and the prospects for India-Russia economic and trade cooperation are uncertain. In July 2018, the US stated that it would invest \$113 million in technology, energy and infrastructure initiatives in the Indian Pacific as part of a new strategy to deepen relations with the region. "These funds represent only the United States' peace and peace in the Indian Pacific. The down payment of a new era of prosperous economic commitments"[8]. These signs indicate that the United States will gradually increase its economic and trade cooperation with India. In the context of continued US sanctions against Russia, India must handle relations with the United States and Russia. However, as of now, there has been no major change in the existing international geopolitical landscape, and the economic and trade cooperation between the United States and the "Indo-Pacific" countries has not yet achieved leap-forward development. Therefore, this paper predicts that India-Russia economic and trade cooperation will continue to maintain a rapid development inertia in the coming period, which is manifested in the following aspects:

3.1 The scale of economic cooperation between India and Russia will be further expanded

On November 12, 2017, Russian Prime Minister Dmitry Medvedev met with Indian Prime Minister Modi during the 12th East Asia Summit and made it clear that he would give priority to expanding bilateral trade and economic cooperation between Russia and India. The key mechanism for bilateral cooperation between Russia and India is the Russian-Indian Intergovernmental Committee on Trade, Economic, Scientific, Technical and Cultural Cooperation. The committee held its 24th meeting in Moscow in September 2018.

According to the Federal Customs Administration of the Russian Federation, as of the end of 2017, Russia and India traded 9.3 billion U.S. dollars, of which Russia's exports were 6.4 billion U.S. dollars and imports were 2.9 billion U.S. dollars. From January to July 2018, the foreign trade volume between Russia and India was about 6 billion U.S. dollars, of which Russia's exports were 4.2 billion U.S. dollars and imports were 1.8 billion U.S.

dollars. [9] The Russian side believes that India's economic growth rate has remained high for many years, and its technological and industrial potential has been continuously enhanced. According to the depth of tariff liberalization, the trade volume between the two sides can grow to 30-40% of the current level, which will be achieved through negotiations. During the 2018 St. Petersburg International Economic Forum, the leaders of Russia and India proposed to increase the trade volume between the two sides to 30 billion U.S. dollars by 2025. [10]

3.2 The structure of economic cooperation between India and Russia will be further optimized

In the Russian export structure to India, the main supply share comes from the following product categories: minerals; machinery, equipment and vehicles; precious metals and precious stones; chemical industrial products; wood and pulp and paper products; metals and their products; raw material. The structure imported from India is formed by products of the chemical industry; food and agricultural raw materials; machinery, equipment and vehicles; textiles and shoes; metals and their products. Russia is one of India's important partners in the peaceful use of nuclear energy. Economic cooperation between Russia and India is currently underway in the areas of energy, metallurgy, automotive and aircraft manufacturing, high-tech transfer and infrastructure development, and will expand industrial and technical cooperation between the two countries. In 2017, Russia and India signed a general agreement on the third phase of the construction of the Indian nuclear power plant Kudankulam. In February 2018, the Russian joint shipbuilding company signed a memorandum of cooperation with India's largest shipbuilding company, planning to jointly design and build modern ships for inland waterways and coastal traffic, including tankers, dry cargo ships, passenger ships and hovercraft. In addition, Russia and India are considering more joint projects related to the petroleum industry, aviation, electronics, pharmaceuticals and computer technology. In addition to the investment project working group, the two sides also have Russian-Indian science and

technology, pharmaceutical, tourism and culture, energy working groups, the two sides will strengthen trade, investment, peaceful use of nuclear energy and solar energy, technical cooperation, and extend the cooperation to the ocean and the space field. [11]

3.3 The negotiations of India-Russia free trade zone will be accelerated

In 2017, India and the Eurasian Economic Union agreed to start consultations on the establishment of a free trade zone. Although both sides have large mutual markets, the current trade volume is negligible (only \$10.8 billion in 2017). However, this also means that the huge opportunity for mutual trade growth has not yet been developed. The Chairman of the Eurasian Economic Commission Tigran Sarkisyan believes that India has long been a strategic partner of the Eurasian Economic Union countries and hopes that this trend will continue in the future. The large-scale and fast-growing Indian market will fully interact with Russia and India. The development is of great significance. During the St. Petersburg International Economic Forum in 2017, the Eurasian Economic Commission and India signed a joint statement on the negotiation of a free trade agreement to determine the way in which future agreements will be conducted and the procedures for conducting negotiations. At the end of January 2018, regular meetings of the Eurasian Economic Union and the Indian Working Group were held. The consultations in the preparatory stage of the formal negotiations, on the possible content of future agreements, the method of formulating regulatory requirements, and the tariff reduction list exchanged opinions. [12]

3.4 The pattern of economic cooperation between India and Russia will be further diversified

First of all, in addition to the traditional economic and trade relations between India and Russia, India-Russia economic and trade cooperation has also been incorporated into the framework of the Eurasian Economic Union. According to the plans of both parties, the Eurasian Economic Union can sell more grains, oil, vegetables, beverages, including mineral water to India. In the industrial zone, he can provide more fertilizer, machinery,

equipment, vehicles, engineering products, salt, chemicals, rubber, plastics, steel and wood products. In turn, India has the potential to increase exports of agricultural products, food and textiles, including ready-to-wear, as well as chemical, pharmaceutical and other products. Second, India-Russia economic and trade cooperation will go beyond traditional standards. It is worth noting that the Eurasian Economic Union has translated its technical regulations almost exclusively in accordance with EU standards and the same international standards as European standards. India's technical regulations are known for its red tape. In addition to efforts to reduce trade protection measures, India and Russia will strengthen coordination on industrial products and agricultural product standards, and vigorously promote cooperation in services, intellectual property, digital economy, investment, transportation, energy, and government procurement. [13]

3.5 Russia is more urgent for economic cooperation with India

Russia is more urgent about India's economic and trade cooperation, mainly based on three basic value judgments: First, important non-Western system partners. Russia and India have good cooperation potential in various fields such as economy, trade, military, energy and security. They are not affected by the game between Russia and the West. Therefore, Russia-India relations have also been labeled as "special strategic partnerships". Second, it is an important hedging force in the multilateral cooperation mechanism. Due to the relative decline in overall national strength, Russia is worried about how to maintain its international voice. India has maintained a certain distance from other major powers and has therefore become an important choice for Russia to hedge its influence in other countries in the multilateral cooperation mechanism. The third is the opportunity for Russia to grasp the new growth pole. Russia believes that the future growth will be the Asia-Pacific region. In recent years, India's rapid economic development is also one of the key directions of Russia's "Oriental Policy". [14]

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