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Russia-India: You don’t make friends to self-inflict wounds

India enjoys the status of a time-honored partner of the Russian Federation. Moscow prioritizes trade and economic relations with New Delhi. However, Russia considers the actual potential of economic collaboration as not yet fully disclosed. Dr. Alexey Kupriyanov, Senior Research Fellow, Head, Group on South Asia and Indian Ocean, Center for Asia Pacific Studies, Primakov National Research Institute of World Economy and International Relations (Russian Academy of Sciences) provides an insight on the trends in the bilateral relations.

- How do you assess the current state of trade and economic relations between Russia and India? What are the developments over the past two years in the context of large-scale anti-Russian sanctions?

- The scope and essence of changes have been drastic. For many years, the bilateral trade turnover did not exceed $11 billion, and only after the COVID pandemic, it finally reached $12 billion, taking into account inflation, of course. By the end of the current Indian fiscal year (March 31, 2024), it will obviously amount to about $67 billion. In reality, it is much more: according to our estimates, 5-8 billion of turnover is hidden in the "grey zone" and formally passes through other graphs.

Fearing secondary sanctions, Indian business people conduct operations through third countries, in particular, through Iran and the UAE. But the main thing is that the very structure of trade has undergone a modification. If earlier armaments and military equipment played a crucial role in the export balance, today the dynamics is determined by the growth of Russian oil

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and gas products supply.

Although the imbalance in the trade composition is enormous at present, there are some positive signals; for example, in 2023, imports of engineering products made in India and supplied to Russia have doubled.

The entire global trade system is being urgently restructured, and with some parts of it (for example, the export of energy resources) this is clearly happening faster than with the import of finance and technology. Gradually, I believe, the imbalance, if not disappearing altogether, would become less imposing.

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- What importance does India attach to partnership with Russia under the present circumstances when there are obvious risks to fall under secondary sanctions and spoil relations with the West, in particular, with the United States? How significant is this threat to India?

- New Delhi has traditionally and consistently opposed unilateral sanctions. Moreover, the Indian leadership is well aware that trust and mutual respect are ripened over decades not simply years, and these achievements can be forfeited in an instant.

Once upon a time, India, despite pressure from the United States, did not break off relations with Saddam Hussein, and it did not abandon its nuclear armament program and eventually tested a nuclear bomb. Finally, India, despite the threat of sanctions from the U.S., has not terminated the contract for the supply of S-400 anti-aircraft missile systems made in Russia.

The political elites of India are extremely pragmatic, it is obvious to them that America is interested in cooperation with India no less, if not more, than India has a stake in cooperation with the United States.

Indian politicians see the world differently than their colleagues in the West. It is beneficial for New Delhi to deal simultaneously with both Moscow and Washington. Any of the antagonists involved in a conflict by attempting to win India over to its side will make a mistake. Indians do not like being pressured and forced to do something that, in their opinion, runs against their inherent national interests.

Of course, it is possible that in the future the country's leadership will abandon such a balanced policy and move to join the American camp, but this requires a complete alteration of the national mindset. The current generation of elites is unlikely to do this, rather, it will maintain its present political course towards strategic autonomy.

- How damaging is the problem of trade imbalance between Russia and India? Today – and it's no secret – Russia sells much more than purchases. And the main export product is oil and gas...

- Two-way trade resembles a pump that delivers much more in one direction than in the other. By buying huge volumes of Russian oil, India covers only part of its domestic consumption demand, and sells the excesses to the West. This state of affairs will remain intact at least until the sanctions are either partially lifted or, conversely, tightened.

It is quite possible that trade turnover might collapse as rapidly as it has surged. The ceiling which we might reach depends on how much time Russian and Indian businesses would have at their disposal to take advantage of the situation marked by

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"chaotic uncertainty" and establish new ties and channels.

With trade relations with the West severed, Russia had troubles obtaining a wide range of goods, from seeds to aircraft engines. India can provide us with analogues, as a transit country and as a producer.

Of course, in the long term, it is necessary to create new production chains with the participation of companies from the two countries, but this is most likely to require adjustment of our domestic legislation.

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- Today, mutual settlements in trade are hampered by Western sanctions. How is the issue of converting Indian rupee, suspended on the accounts of Russian exporters, being resolved?

- This is clearly not the main problem today. Firstly, there are relatively few rupees in the bank accounts of Russian exporters; secondly, alternative payment schemes have been established, which I will not mention here. The main problem is the

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assessment of risks by Indian large and medium–sized manufacturers to deal with Russia due to Western sanctions and the slow pace of Russian businesses' investment drive into India.

The dire straits we pass are largely due to the lack of insight knowledge about the Russian and Indian markets, respectively, and about the opportunities they provide, and also about the rules of the game. My colleagues and I see our task as demystifying India for our fellow citizens, including businesses. Speaking regularly at various venues, we reveal the specifics of how India is organized and managed, how its market and its businesses function, what problems crop up, and what challenges India faces as a country and the Indian economy, in particular.

- Can we trust the information filed by Bloomberg that Indian refineries – both private and public – refused to accept Russian oil from Sovcomflot tankers?

- This news had reference to an anonymous source in the industry, there were no official or even semi-official confirmations.

Given the sensitivity of the issue, there are a lot of options: either Bloomberg's news is partially true, or it is about India trying in this way to dampen pressure from Western countries (dissatisfied with India's ongoing cooperation with Russia) and for this purpose making up such messages. Finally, there is another option: Bloomberg is simply participating in a disinformation campaign against Moscow. If the latter is true, there is a set of solutions, mostly short-term, like creating a group of "gasket companies" and purchasing used tankers, which will sail under a flag of convenience, or doing transshipment at sea from sanctioned vessels.

- In the old days, India and the USSR were considered "inseparable" friends. Is there a nostalgic note in the current attitude of Indian leaders towards Russia, in addition to pragmatism, associated with the era of Jawaharlal Nehru and Nikita Khrushchev, Indira Gandhi and Leonid Brezhnev?

- There are such nostalgic sentiments and they will not meltdown for the time being because it is not easy to playdown the role that Soviet-Indian friendship played during the Cold War.

The USSR helped India build heavy industry, and the memory of it is still preserved. The current economic growth has been largely due to this solid foundation. India, in turn, supplied the USSR with a wide range of consumer products, from leather goods to tea.

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Cultural interaction should not be forgotten as well. Those romantic images that were formed in India and the USSR, respectively, turned out to be so tenacious that it affects even the perception of the younger generation. At the same time, even in Soviet times, relations were built primarily on sober calculation and the understanding that friendship has obvious value for both sides. The hugs of the leaders were then poured into the construction of the Bhilai’s steel plant and India's political support for Soviet initiatives at the United Nations.

No one makes friends to its own detriment. Today, however, there is more pragmatism in relations at the highest level, and less personal nostalgia, which is also driven by objective factors.

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