



RUSSIA-INDIA

Challenges and Solutions
for Economic Cooperation

2024

nccibc.ru



NATIONAL COORDINATING CENTER FOR
INTERNATIONAL BUSINESS COOPERATION



INSTITUTE OF CHINA
AND CONTEMPORARY ASIA
OF THE RUSSIAN ACADEMY OF SCIENCES



RUSSIAN - ASIAN
BUSINESS COUNCIL
俄罗斯亚洲实业家理事会

CONTENTS

Preface	2
Trade	4
Settlements	7
Investment	9
Technological Cooperation	11
Infrastructure and Transport	13
IT Technologies	16
Agriculture	19
Pharmaceutics	21
Conclusion	25



PREFACE

Studying key areas of Russian-Indian business relations, main challenges, outcomes and possible solutions is a crucial task of the expert community. The Russian Academy of Sciences' Institute of China and Contemporary Asia, the National Coordinating Center for International Business Cooperation, and the Russian-Asian Business Council – flagship state expert centers – are monitoring and identifying trends and drafting practical recommendations for the authorities and businesses to promote quality development of trade, economic and business relations between Russia and India.

As of 2023, India remained the world's fifth economy boasting

\$3.82-trillion GDP and having surpassed the United Kingdom and France back in 2019. The Indian GDP ranks the world's third by purchasing power parity and amounts to \$13.342 trillion. Given the large population, the Indian GDP per capita stands at only \$9,241. However, by 2050, India is expected to become the world's second economy by purchasing power parity, after China, with a 15% share of the global GDP (\$44 trillion) and to overtake chief Western competitors, including the United States (PwC report "The World in 2050").

The outlook is supported by reassuring analytical reports of the International Monetary Fund, which predicts 6.6%-6.9% sustainable

economic growth of India in the mid-term perspective of 2024-2025. Meanwhile, India's national priorities set an important task of enlarging the economy to \$5 trillion by 2055. It's quite an achievable goal for New Delhi, considering that the national GDP grew from \$2.7 trillion to \$3.4 trillion between 2020 and 2022 despite the pandemic fallout.

India is evolving from an autarkic policy to an open market economy. Liberalization of the Indian economy began in the early 1990s and included de-regulation of industries, reduced control over foreign trade and investment, and privatization of state-run enterprises. The measures helped India accelerate the economic growth. India's services sector is the fastest growing sector in the world, accounting for 60% of the economy and 28% of employment. Manufacturing and agriculture are two other important sectors of the economy, especially in the context of Russian-Indian economic cooperation.

Russian-Indian business relations have a long history. They are currently based on the Intergovernmental Agreement on Trade and Economic Cooperation of 1992 and the Treaty of Friendship and Cooperation between the Russian Federation and the Republic of India of 1993. Despite a significant decline in bilateral trade due to sanctions in 2014-2016 (from \$10.07 billion to \$7.59 billion)

and the pandemic year 2020 (down 17.7% to \$9.26 billion), Russian-Indian trade grew seven-fold to record \$65 billion in 2021-2023.

The report herein provides an overview of key areas of Russian-Indian business cooperation.

K.V. Babaev

NCC President

Institute of China and Contemporary Asia of the Russian Academy of Sciences Director

TRADE

Challenges

The Indian Ministry of Commerce and Trade estimates Russian-Indian trade at \$65 billion in 2023. Bilateral trade may reach \$100 billion as early as in 2030. In order to do so, Russian exports to India need to top \$80 billion, while imports need to exceed \$20 by 2030. The achievement of the target would require an annual 6.4% increase in trade before 2030.

Obviously, the growth in exports will be largely provided by energy, and imports will be increased by supplies of pharmaceutical and chemical products. However, in order to increase trade, our countries will have to solve existing problems, which vary from logistical restrictions to difficulties with financial settlements. Moreover, some large Indian companies left the Russian market due to fear of secondary sanctions, which together led to a sharp increase in the trade imbalance in favor of Russia: up to \$30 billion in 2022 and up to \$56.8 billion in 2023.

Expectations and current situation analysis

The Indian Ministry of Commerce and Industry said in mid-July 2023 that Russia had become India's No. 3 trade partner for the first time in history (\$27.1 billion in January-May 2023). At the same time, Russian exports, most of which are energy resources, exceed Indian imports by more than 14.5 times in monetary terms. In 2023, Russia ranked the fourth trading partner of India (after the USA, China and the UAE) and second in terms of the import volumes (after China).

Economic relations between Russia and India continue to develop despite the risks of Western sanctions. The bilateral trade turnover increased sevenfold over the past three years, reaching \$65 billion in 2023: trade amounted to \$35 billion in 2022, versus \$13.5 billion in 2021 and \$9.26 billion in 2020. Russian-Indian trade reached \$17.49 billion in the first quarter of 2024 (up 5% from the respective period of 2023), thus setting a record for quarterly bilateral trade.

Table 1. Russian-Indian trade in 2014-2024

Indicators \ Years	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024 (I кв.)
Turnover, \$ bln	9,51	7,83	7,59	9,36	11	11,2	9,26	13,5	35	65	17,49
Growth, %	-5,57	-17,7	-3,1	+23,3	+17,5	+1,8	-17,4	+45,8	+159,2	+80	+5
Exports, \$ bln	6,34	5,57	5,23	6,46	7,75	7,31	5,8	9,13	32,5	60,9	16,34
Growth, %	-9,19	-12,1	-6,3	+23,5	+19,96	-3,2	-20,7	+57,4	+256,06	+79,1	+5,4
Imports, \$ bln	3,17	2,26	2,36	2,9	3,23	3,92	3,46	4,43	2,5	4,1	1,15
Growth, %	+2,6	-28,8	+4,4	+25,9	+11,4	+21,4	+11,7	+28,03	-43,6	+41,4	+21,7
Balance, \$ bln	3,17	3,31	2,87	3,56	4,52	3,39	2,34	4,7	30	56,8	15,19

Source: The Indian Ministry of Commerce and Industry

Oil (up to \$45 billion), petroleum products (\$4.5 billion), coal (up to \$4 billion), mineral fertilizers (\$2.4 billion), diamonds (\$1.1 billion), vegetable oil (up to \$1.1 billion) and ferrous metals (up to \$443 million) prevailed in the structure of Russian exports to India in 2023. In turn, chemical products (\$838 million), medicines (\$372 million), machinery and equipment (\$687 million), agricultural products (\$605 million), electrical equipment (\$382 million), stainless steel and alloys (\$322 million) were chief Indian exports to Russia last year.



The TCF Timmerman gas carrier in the Indian Ocean

An undoubtedly important trend is the multiple growth in Russia's sustainable positive trade balance with India: it grew 12 times compared to 2022 and more than 24 times compared to 2020. However, it is worth considering that if the surplus of the foreign trade balance with the EU was al-

most \$70 billion per year before the start of the special military operation, while reaching \$56.8 billion with India in 2023 (compared to only \$18 billion with China in 2023).

Solutions

Obviously, 2022-2023 was the period of “plugging the holes” in Russia’s foreign trade. As the supply chains stabilized both in exports (especially energy export) and imports, deepening technological cooperation with India and developing joint investment projects seem to be the best option.

The development of alternative logistics routes (especially the Northern Sea Route (NSR)), new methods of banking services with an emphasis on broader use of national currencies in mutual settlements (including the possible launch of BRICS PAY), the integration of national payment systems, insurance, diversification and reduction of imbalances in bilateral trade, primarily by increasing the supply of popular goods from India, remain priorities in further expansion of trade, economic and investment cooperation.

In order to stimulate mutual trade, it is important to continue liberalization of the customs regime, including the agreement on mutual recognition of designated economic operators and to step up preparations for the conclusion of a free trade area agreement between the Eurasian Economic Union and India and an updated bilateral intergovernmental agreement on the protection of investment.

The chief mechanism for broadening Russian-Indian relations is the Russian-Indian Intergovernmental Commission for Trade, Economic, Scientific, Technical and Cultural Cooperation, which held its 24th meeting on April 18, 2023. Sectoral working groups are in constant practical contact to implement bilateral industry projects and to find new, promising cooperation areas. A shift from trade to investment and joint production chains would be necessary in the mid-term perspective. Besides, Russia may use the Sovereign Welfare Fund for targeted investment in projects expanding non-commodity, non-energy exports.

SETTLEMENTS

Challenges

The imposition of restrictions and de-SWIFTing of a group of Russian banks in 2022 created temporary problems with money transfers to India. The two governments started considering payment currency options – rupees, rubles and yuan – in 2023.

At the moment, foreign trade actors provide contradictory information about the currency of settlements in Russian-Indian trade (India pays Russia exclusively in hard currency for oil supplies, while the “stuck” rupee problem exists for the rest of the goods).

Even though the information is contradictory, the “stuck” rupee problem exists and current solutions entail certain transaction costs. At the same time, India refuses to expand trade volumes with Russia in the yuan, although that is convenient for Russia, due to its foreign policy and deepening strategic competition with China.

The reason is that Indian legislation practically bans using the national currency on the foreign market. India is still refusing to change its mind after several rounds of negotiations due to a major trade imbalance in Russia’s favor. For instance, in 2023, Russian exports accounted for almost \$61 billion out of \$65-billion exports in total.

Expectations and current situation analysis

Scrapping currency barriers implies a serious deviation of the offshore rupee rate from the onshore rate for India, which in turn could lead to a growth of the black market India already has serious problems with, especially given the negative balance of the current account.

In this case, for example, the creation of a new liquidity center in the ruble-rupee pair on the Moscow Exchange could put additional external strain on the national currency, given the high demand of Russian companies for the conversion of rupees. This is probably the reason why Russia and India have not made much progress in this area just yet.

In 2023, SBER¹ was allowed opening a branch in Mumbai, India's business capital. According to bank representatives, SBER is the one handling most ruble-rupee payments. An average monthly amount of payments in national currencies has grown over 30 times since March 2022.

Currently, SBER and some experts provide ruble-rupee transfers between India and Russia, which, however, involves certain price discounts on currency exchange for exporters. According to Russian-Arab Business Council estimates, the discount is about 4.8%.

Solutions

Expansion of Indian imports is important in the first turn, but that requires new, faster logistic routes to Russia. Besides, Russian companies may invest in projects in India. For instance, Russian investors may be interested in buying Indian refineries running on our oil. Rosneft, which has an almost 50% stake in India's Nayara Energy, is a good example.

In turn, India also has problems with buying rubles. So, for now, Russia and India are developing trade either with the UAE's mediation, using the dirham, or conduct settlements in the yuan. Sources in VTB say a mechanism has been developed to covert rupees to rubles with the assistance of UAE financial institutions.

In the long run, specialists are considering special swaps to be used by the Russian Central Bank and the Reserve Bank of India. In case of the emergence of a common BRICS currency (R5 – real, ruble, rupee, yuan, rand) or a more fantastic option of the Global South unit of account (a gold-based unit similar to the transferable ruble used by member states of the Council for Mutual Economic Assistance before 1991 or the ECU in use by EEC members before 1998), the knot of non-payments (or "stuck" national currencies) will be rapidly untied and a new reserve currency will appear, thus leading to a fundamental change in the global financial system.

¹ SBER has been successfully working in India for 13 years. Its main office is located in New Delhi. The branch equity grew to \$100 million in 2022. As demand for branch services rises, SBER plans additional contributions to the capital fund and investment in the branch's IT development.

INVESTMENT

Challenges

Russian companies already have some experience and practices of investment projects in India. Most of them are implemented in the energy, metallurgy, IT and machine-building sectors, which account for a bigger part of Russian-Indian trade. The ongoing accumulation of rupees by key Russian exporters to India has not lead to an increase in Russian investment in India despite the favorable opportunities.

As we have said before, the problem of “stuck” rupees exists, and current solutions entail certain transaction costs. Therefore, further expansion of trade and economic cooperation and the eventual development of joint production chains are highly likely to cause a forced growth in Russian investment in India to \$30 billion – 40 billion by 2030.

Expectations and current situation analysis

Indian investment in Russia nears \$14 billion. The Indian business community shows a keen interest in the Russian oil and gas and IT sectors. Clearly, the interest in raw material projects has been traditional, considering the investment of India’s ONGC giant in projects in the Krasnoyarsk Territory, Yakutia and Sakhalin.

Indian businesses are also drawn to projects in the chemical industry, including those related to paint and packaging film, mechanical engineering, especially tractor equipment and machine tool manufacturing, the food industry, in particular tea processing, the jewelry industry, such as diamond processing, and the industry of pharmaceuticals and medical equipment. Four Indian companies entered into agreements with the authorities of Russian regions in 2023 to build pharmaceutical plants with a total value of 12 billion rubles.

Yet, despite the high potential, the Russian-Asian Business Council estimates accumulated Russian investment in India at approximately \$20 billion, which includes both direct and portfolio investment. On the whole, Russian investment in India can be divided into the following clusters: energy, IT and high-technologies, metallurgy, finance, machine building, and telecommunications.

Rosneft is the biggest investor. It has a 49.13% stake in India's Nayara Energy Limited, which owns one of India's largest oil refineries, a deep-water port, an oil terminal with the annual capacity of 58 million tonnes, and a network of over 6,000 gas stations across India. Russian investment in the project has reached \$5.85 billion.

Solutions

The "automatic permit" of the Reserve Bank of India has been developed to reduce bureaucracy and expedite the processing of investment applications. Various industries have their own automatic permit levels. For instance, 100% FID is allowed for railroad infrastructure, renewable energy, telecommunication services, textile, clothes, hospitality business and thermal power generation, and investment is approved automatically. The level of automatic permits is set at 74% for the defense sector, while the level of foreign investment permitted automatically does not exceed 51% in certain categories

Investment in some industries has to be approved in advance. The rule applies to investment in the nuclear energy sector, weapons production, and civil aviation. Foreign investment in the lottery business, casinos, credit funds, and the production of tobacco and cigarettes is prohibited.

In addition, there are certain preferences for investors. Thus, for companies investing in Indian industry, the tax rate can be reduced to 15% (for residents, the tax rate ranges from 25% to 35%, depending on the company's income, in addition to this, about 2.5% goes to indirect taxes; for non-residents, the tax rate is quite high, 40% + 2.5% as indirect taxes). R&D investors are entitled to tax breaks or revenue tax preferences. A ten-year tax break has been approved for companies investing in the information and telecommunications sector.

Please note that investment in infrastructure, construction of power transmission lines, oil refining, and food industry projects gives tax breaks and revenue tax preferences.

Infrastructure projects such as road construction, irrigation projects, sewerage and water supply, solid waste management are completely exempt from taxes for ten years. The government offers a five-year tax break for energy projects.

TECHNOLOGICAL COOPERATION

Challenges

India seeks to develop technological cooperation with all countries of the world² to implement cutting-edge technologies and products in domestic production, although Russia has been a chief technological partner of India historically. Additionally, the Indian government aims to localize production and cut import. This is the source of disagreement between Russian and Indian sides.



A MiG-29K fighter jet on deck of the INS Vikrant aircraft carrier at the Cochin Shipyard in India

New Delhi's refusal to continue cooperation in the development of a Russian-Indian fifth-generation fighter jet was the most high-profile case. India demanded the full transfer of project technologies, so that it could build warplanes of its own, without Russia, in the future.

India is a key buyer of weapons on the global market. It accounts for 11% of arms imports. Russian-Indian cooperation in this area began in the 1960s, when practically all kinds of weapons, from submarines and fighter jets to automatic weapons and tanks, were supplied to India. The active cooperation continues, although Russia's share in the Indian arms imports

² For example, Japan is implementing a number of projects in the automobile industry, for the production of modern medical equipment, electronics and household appliances in India. Singapore is one of the main investors in the Indian IT sector, and cooperation is developing with the United States in high-tech areas - semiconductors, 5G wireless networks and artificial intelligence.

has been decreasing year upon year, from 64% in 2013-2017 to 45% in 2018-2022.

Expectations and current situation analysis

Despite the said problems and challenges, Russian arms exports to India remain quite substantial. Arms exports to India stood at \$23.6 billion in 2014-2011. A new agreement was signed in 2021 to approve the Russian-Indian military-technical cooperation program for the period until 2030. A contract for manufacturing AK-203 assault rifles in India's Korba was signed in the same year. The output will exceed 600,000 products per year. In June 2024, Almaz-Antey signed an agreement on setting up a joint venture in India for servicing S-400 air defense missile systems. Production of such systems is due to begin in 2028.

Russia continues construction of the largest nuclear power plant in South Asia, Kudankulam, in Tamil Nadu. The first two units have commenced operation, unit No. 3 has been launched, and unit No. 4 is under construction. The fifth and sixth reactors of the third stage have been under construction since 2021. The construction is due to end in 2027. Transmashholding and Indian Railways signed a contract for the supply and maintenance of trains in 2023. The contract will amount to approximately \$1.8 billion for the supply of trains and \$2.5 billion for their servicing over 35 years. Serial deliveries of trains are due in 2026-2030. A total of 120 pairs of electric trains will be supplied.

Work continues at KAMAZ's subsidiary KAMAZ Motors Limited. Despite certain difficulties with the local trade union, KAMAZ intends to keep working in India and to acquire assets in the state of Gujarat.

As reported in the middle of 2023, the UAC is considering possible localization of Sukhoi Superjet project in India, while offering India to deliver Ilyushin Il-114 planes and cooperation in the MC-21 project. In April 2024 India started assembling Russian drones to be used in agriculture and cargo delivery to hard-to-reach areas.

In turn, India, known for production of agricultural machinery, above all tractors, begins large-unit assembly of tractors designed by the Indian company International Tractors Limited in Cheboksary in 2024.

Solutions

A mid-term solution for current challenges is broader investment cooperation, and entry into capital and/or buyout of companies in those industries that account for the largest share of Russian-Indian trade turnover. Taking into account the limitations, the most optimal strategy is the gradual localization of Russian technological products. At the same time, incentives for localization need to be combined with broader opportunities for exporting finished technological products to the markets of the Global South.

Russian-Indian joint ventures in the pharmaceutical and IT industries seem quite promising. For example, Western pharmaceutical companies hold the bigger share of the Russian drug market for now. Still, along with the reduction of investment in the development of new medicines in Russia, as well as the actual cessation of investment in advertising and marketing, the share of European and American companies has been gradually declining in the Russian market.

Hence, India has a perfect chance to occupy the vacated market niche, primarily, in the production of generics (medicines with a different name similar to the branded original drug). This is particularly relevant for the production of drugs subject to compulsory legalized licensing, whereas enterprises in Russia can produce generics of Western medicines without voluntary licenses. For example, the Russian company Pharmasyn-tez (owned by Indian citizen Vikram Punia) already produces over 49% of all anti-tuberculosis drugs and 45% of antiretroviral drugs available in the Russian market.

INFRASTRUCTURE AND TRANSPORT

Challenges

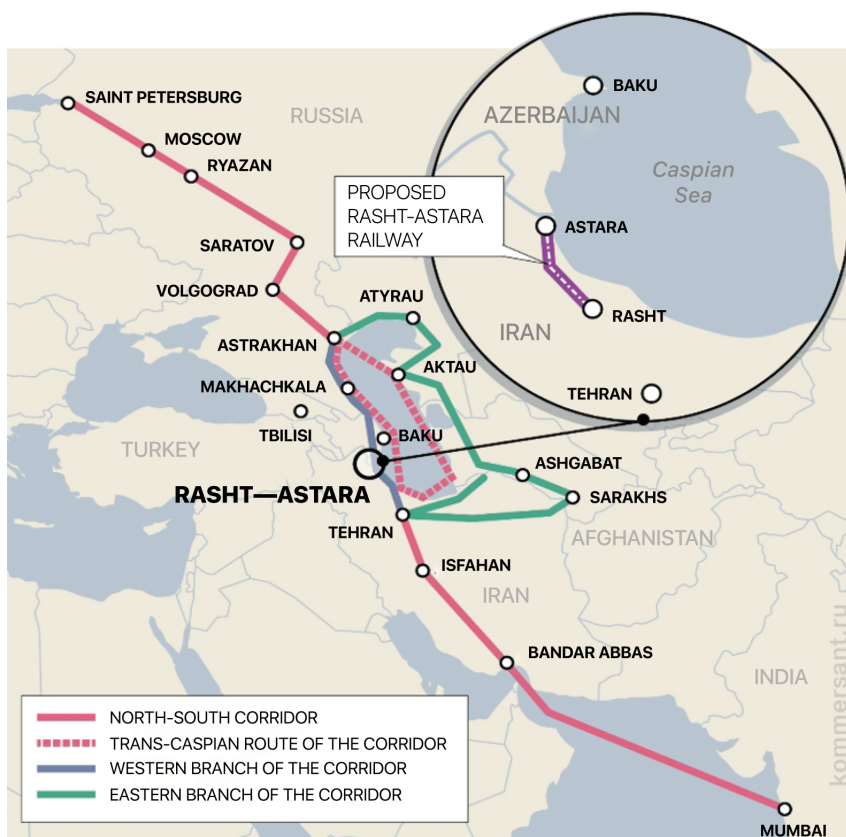
The imposition of anti-Russian sanctions has refocused logistics to the East and revealed the infrastructural unpreparedness for the increased cargo traffic to India and the absence of the optimal logistic routes. The increasing trends require a sizable enlargement of the fleet of tankers and gas carriers³ (eventually of the Arc-7 and Arc-8 ice class) and transport infrastructure capacities, which could be done through optimizing the use of current routes and investment in the development of new ones.

Expectations and current situation analysis

A number of problems exist despite the active development of cooperation between Russia and India. For instance, the two countries are connected by maritime routes from Mumbai to the ports of St. Petersburg (8,675 nautical miles) and Novorossiysk (4,116 nautical miles), yet cargo transportation by those routes takes much time and instability in the Suez Canal complicates the logistics even further.

In May 2024, cargo delivery⁴ from Mumbai to Novorossiysk took 26 to 30 days. There is an alternative route, the North-South Transport Corridor, by which maritime transportation will take approximately 17-18 days. The route, however, is undergoing expansion and modernization and cannot be used to the fullest capacity, which is why most cargo is transported by the long route.

Figure 1. North-South Transport Corridor



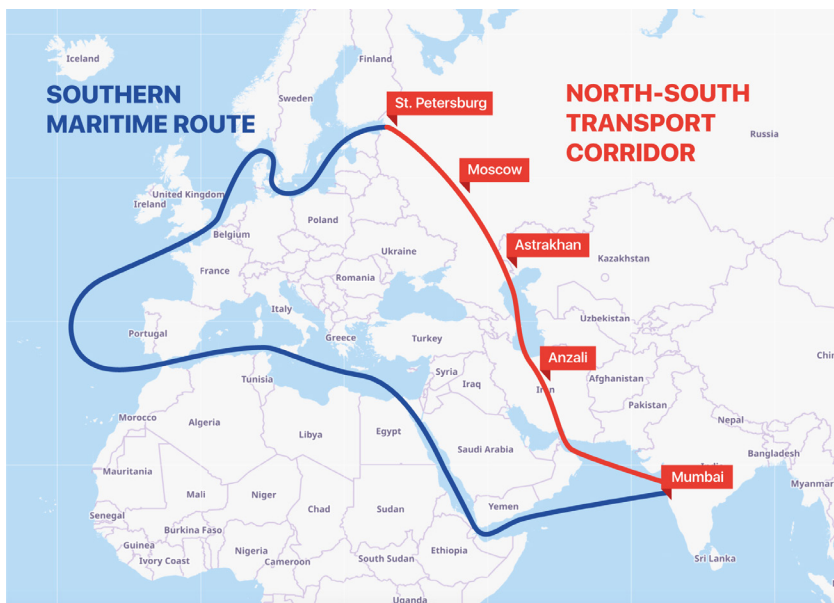
Source: RZD, EDB

(Prospective Rasht-Astara railway: the North-South Corridor, the Trans-Caspian Route of the corridor, the Western part of the corridor, the Eastern part of the corridor) St. Petersburg, Moscow, Ryazan, Saratov, Volgograd, Astrakhan, Makhachkala, Tbilisi, Rasht-Astara, Tehran, Isfahan, Bandar Abbas, Baku, Aktau, Atyrau, Ashgabat, Sarkas (Russia, Azerbaijan, Iran, Turkey, Afghanistan, India)

Solutions

Construction of a railway line from Rasht, Iran, to Astara, Azerbaijan, began in 2023 to improve conditions for trade with Asian states. The project is due to be finalized in 2025. Once the line is commissioned, the time of cargo delivery from Russia to India by the North-South Transport Corridor will be reduced to 10-12 days. Additionally, Russia and India are discussing⁵ a container line to go through the Northern Sea Route and the use of the Eastern Maritime Corridor between Vladivostok and Chennai (5,647 nautical miles). This route will cut the transportation time by almost 30%, compared to the popular St. Petersburg-Mumbai route (8,675 nautical miles). Besides, Vladivostok is the final point of the Trans-Siberian Railway.

Figure 2. Southern Maritime Route, North-South Transport Corridor



St. Petersburg, Moscow, Astrakhan, Anzali, Mumbai

Source here and in Figure 3: NCC based on information from the Ministry for the Development of the Arctic and the Far East

³ Fifty-seven ships are needed to meet the target of cargo transportation by the Northern Sea Route, but less than half of them, including 16 gas carriers and tankers, are available.

⁴ It costs 267,000 rubles (without customs duties) to transport a 20-foot container from Mumbai to Novorossiysk in June 2024.

⁵ India and Russia have agreed on Indian sailors' internships in Arctic waters to be provided by the Adm. Nevelskoi Maritime State University in Vladivostok.

Figure 3. Eastern Maritime Corridor (existent route St. Petersburg – Mumbai 8,675 nautical miles, Eastern Maritime Corridor Vladivostok-Chennai 5,647 nautical miles)



Given the possible delivery of LNG to India under the Arctic LNG 2 project, it would be necessary to urgently build or purchase ice-class gas carriers, including through Indian partners, who are very interested in LNG supply amid the growing gas consumption in India from current 64 bcm to over 200 bcm by 2040.

IT TECHNOLOGIES

Challenges

Developing information technologies and automation of business processes open new employment horizons. The sectors are expected to create 3 million jobs by 2025, which is not much in the context of India. Start-ups, which have been booming for the past three thanks to support from government financial facilities, become a source of employment.

The IT and BPO sector in India is working successfully, providing employment for up to 5 million people, i.e. less than 1% of jobs. There will be no significant increase in employment in this area, not to mention the fact that training the relevant personnel also takes time and financial investment.

In addition, for example, automation/robotization of the country's largest industries in terms of employment - textile, clothing and footwear production (6% of GDP, 14% of industry, 13% of exports), with employment of approximately 35 million people (or about 95 million people, including jobs in agriculture associated with these industries), could lead to a catastrophe in the Indian labor market and the economy as a whole.

India launched a large-scale project in 2014 to create 100 smart cities. The Smart City initiative aims to provide basic infrastructure for a decent quality of life and clean and sustainable environment through the use of intelligent solutions. The main elements of the Smart City infrastructure are continuous water and electricity supply, effective environmental protection, separate waste collection, a complete ban on plastic, a developed public transport system, affordable housing, especially for the poor, accessible Internet, protection of citizens, especially women, children and the elderly, digitalization of healthcare and education systems, and comfortable public areas (parks, stadiums and swimming pools).



Project on 8,000 hectares: Naya Raipur as an example of smart city in India

Initially, the program aimed to reduce the disparities in development between Indian states. However, its implementation is highly questionable: experts say the program has failed to narrow the gap, on the contrary, the northern and eastern states show an extremely low level of the achievement of targets set by the central authorities despite the allocated funds.

Expectations and current situation analysis

According to the National Association of Software and Service Companies, the Indian IT industry revenue reached \$227 billion in the financial year 2023, growing 15.5% year-on-year, and is estimated to exceed \$250 billion in 2024. Indian IT product exports topped \$190 billion in 2023, growing 10% from 2022.

The IT sector has become one of the most significant growth drivers for the Indian economy, contributing significantly to the national GDP and social welfare. The IT industry accounted for 7.5% of India's GDP in 2023 and is expected to contribute 10% to India's GDP by 2025.

Apart from this, India is a global leader in outsourcing services. With its renowned technological prowess, highly skilled workforce and cost-effective offerings, India is becoming the first choice for businesses looking for operational efficiency and higher productivity.

By building the national payment card system RuPay and introducing the mobile payment service UPI based on smartphones, India has become the world's largest and one of the most technologically advanced cashless payment markets in just ten years. By March 2021, RuPay's market share in India was 34% by the number of transactions and 30% by their volume. In fact, both RuPay and UPI today are large-scale cashless payment systems in the world, independent of the dollar and euro, or of pressure from the U.S. and EU states.

The Indian government intends to invest heavily in artificial intelligence (AI). Thus, in 2024, the government allocated \$1.2 billion, and also promotes the development of the digital economy in every possible way. Thus, India began using the digital rupee from December 1, 2022.

In 2023, VisionLabs registered an Indian subsidiary of the NIS GLONASS navigation operator. The company plans to get government contracts. Cooperation between Russia and India in the field of AI standardization began in 2023. At the same time, NtechLab began supplying facial recognition cameras for Indian schools. This year, over 5,000 cameras have been delivered to 220 cities in India. In addition, NtechLab cameras were supplied to Indian Railways in 2021. Over 470 railway station cameras were delivered back then.

Solutions

The IT sector is an important part of Russian-Indian cooperation. Such Russian companies as Geoscan, Quantum Communications, Scout, and the ITERA association of technological companies are working in India. The MoiSklad cloud service publicly announced the entry of the Indian market in 2022, and the investment has reached \$500,000 to date. The company seeks to have 300,000 users by 2025. Russoft signed a cooperation agreement with the Rising Russian-Indian association in March 2023.

Considering that Russia is a global leader in terms of digitalization and smart urban management solutions, our developers could take part in the 100 Smart Cities project and make their indispensable contribution to improving the lives of people in India.

AGRICULTURE

Challenges

Despite possessing about 4% of the world's water resources, India has a significant need for fresh water, primarily due to its growing population, and therefore many important sectors of the economy. The greatest demand for water is in agriculture (83%). The share of consumption is higher in Africa only, while urbanization and industrial development will increase the need for water in other Indian sectors as well. Currently, industry uses 12% of water, and household consumption stands at 5%.

Same as China and the United States, India mainly uses groundwater, which is the easiest to extract due to the characteristics of the soil and climate, but its reserves are gradually running out. About 55% of India's population is employed in agriculture. India has the largest herd of cattle (buffalo) in the world, the largest areas under wheat, rice and cotton, and is also the largest producer of milk and spices in the world. India is the second largest producer of fruit, vegetables, tea, farmed fish, cotton, sugarcane, wheat, rice, cottonseed and sugar. Aquaculture is considered one of the fastest growing agricultural sectors in India. The annual growth rate exceeds 7%.

There are several problems caused by fresh water shortage: the continuing trend towards increasing irrigated land, which, given the insufficient

supply of water, increases its price; regional and temporal differentiation of water quantities, which dictates the need to redistribute and increases the costs of infrastructure and transportation (most large cities do not have permanent water supply, about half of the water is lost during redistribution, and half of urban households do not have their own access to it), high cost of delivery and desalination of seawater, low efficiency of use in agriculture (only sugar cane is above the world average, only about 20% of precipitation is used), climate problems, such as droughts, deforestation and water pollution (two-thirds of city dwellers do not have access to sewerage, and two-thirds of water is not purified).



Indian farmers battling drought by extracting water from dried-up reservoir

Expectations and current situation analysis

Russia exported more than \$1.1 billion worth of agricultural products to India in 2023. The main export products were: sunflower oil, soybean oil, lentils and coriander seeds. In turn, traditional Indian import goods on the Russian market remain tea, coffee and spices, as well as nuts and basmati rice. In addition, since 2023, Russia began importing grapes and raisins from India, as well as dried vegetables and bananas.

The most high-profile news at the beginning of 2024 was the start of deliveries of Indian bananas to the Russian market instead of Ecuadorian ones. India is the largest banana producer in the world, with more than 30 million tonnes grown in 2023. According to RABC forecasts, it can supply up to 1 million tonnes of bananas per year to the Russian Federation.

In addition, India has increased seafood supplies to Russia. Thus, in 2023, seafood was supplied for more than \$155 million, which is 1.7 times more than in 2022. In 2024-2025, it is planned to import trial batches of pomegranate and potatoes from India.

There are also prerequisites for the appearance of new Indian food companies on the Russian market. For example, the Vermisheli and Everest brands produce pasta and spices, the Nafed trademark is a producer of cereals, oils, oatmeal and tea. The products of these companies have passed international certification and may well claim a place on the Russian market.

Solutions

Obviously, diversification of exports and imports is just beginning. Russia is mostly substituting goods from unfriendly countries, while India has an interest and effective demand of the local population, leading to a gradual change⁶ of the eating paradigm.

In addition, it is possible to supply Russia's advanced water filtration and desalination technologies (for example, those used in submarines), to organize the search for and development of new sources of water, and to involve highly qualified Russian specialists in the construction of irrigation and drainage systems in order to deal with the shortage of fresh water.

PHARMACEUTICS

Challenges

The Indian pharmaceutical industry achieved impressive success thanks to three main factors: active cooperation with the former Soviet Union and the United States in the 20th century, effective market reforms in the late 1990s and early 2000s, and facilitation programs for foreign businesses. The Indian government allowed 100% FDI in the industry, and applications were processed automatically. Thanks to the measures taken, the level of investment doubled between 1991 and 2005. Also, in 2014, the Make in

⁶ The same happened in China: the Communist Party Central Committee ordered daily consumption of a glass of milk by primary school students when the amount of meat, fish and wheat increased in the ration of local residents. By the way, the decision drastically changed the global dry milk market.

India program was launched, which aims to increase foreign investment.

As a result, India plays an important role in the global pharmaceutical industry (the "world's pharmacy"). It is one of the largest suppliers of generics: about 20% of the world's supply volume or almost 60,000 generic brands. In addition, the country has more than 2,000 pharmaceutical plants approved by WHO and 253 plants tested by the European Research Center. Labor costs are more than 50% lower and production costs are more than 30% lower in India, compared to developed countries, which encourages foreign investors to open their representative offices and production facilities there.

According to RNC Pharma estimates, the total share of the Russia pharmaceutical market held by purely Indian companies, excluding Pharmasyn-tez, Rusbiopharm and the like (where the owners are ethnic Indians, but citizens of Russia), but together with local enterprises, is about 3.2% in monetary terms and about 4.7% in kind.

But despite its strong position on the global stage, Indian pharmaceuticals face a number of challenges. The dependence on individual drug components, without which the production of pharmaceuticals is impossible, is a rather acute problem. Thus, about 80% of raw materials for the production of active pharmaceutical ingredients (APIs)⁷ is imported from China. Excessive dependence on imports from China has made India susceptible to rising raw material prices and supply chain disruptions. This has never been more evident than during the Covid-19 pandemic.

At the same time, prices for ingredients for the production of common antibiotics such as norfloxacin and ciprofloxacin, as well as paracetamol and a number of vitamins, have also risen sharply. The situation with API supplies has revealed the need to gradually reduce dependence on China in this area by investing in domestic technologies

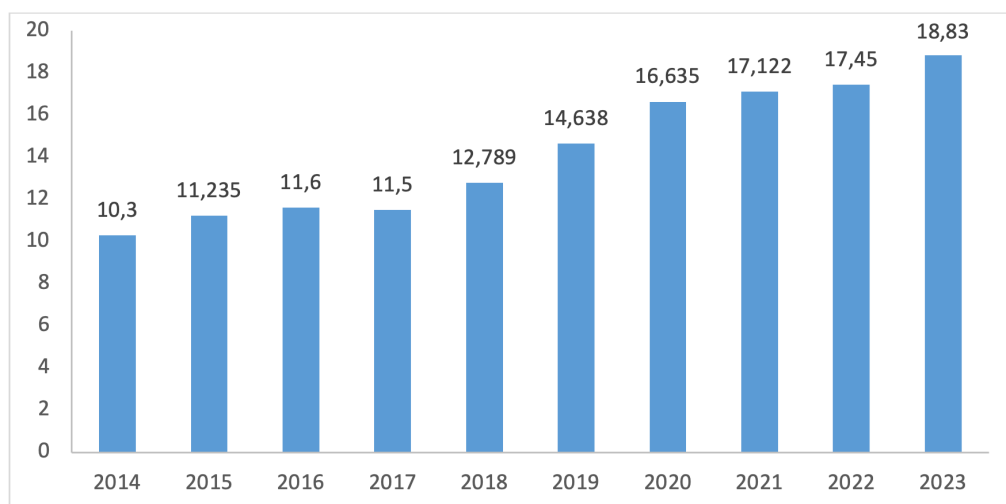
Expectations and current situation analysis

Currently, Indian pharmaceutical manufacturers occupy about 80% of the domestic market, with more than 24,000 companies operating in the

⁷ API is crucial for pharmaceutical production. It is used in various medicinal forms for treatment or prevention of diseases, diagnostics of various conditions and pathologies, adjustment of physiological functions of the body, and limitation or reduction of the intensity of Covid-19 symptoms.

industry. Moreover, 15 out of 20 companies that are leaders in sales on the domestic market are Indian; 10 of them occupy about 1/3 of the entire domestic market. The most famous Indian companies are Sun Pharma, Dr. Reddy's, Lupin and Cipla, which increase pharmaceutical exports every year. In 2023, India's drug exports exceeded \$18 billion.

Graph 1. Indian pharmaceutical exports in 2014-2023, \$ bln



Source: Indian Ministry of Commerce and Industry

Please note that the United States remains the main consumer of Indian pharmaceutical exports, while the other top five importers are the United Kingdom, South Africa, Nigeria and Russia.

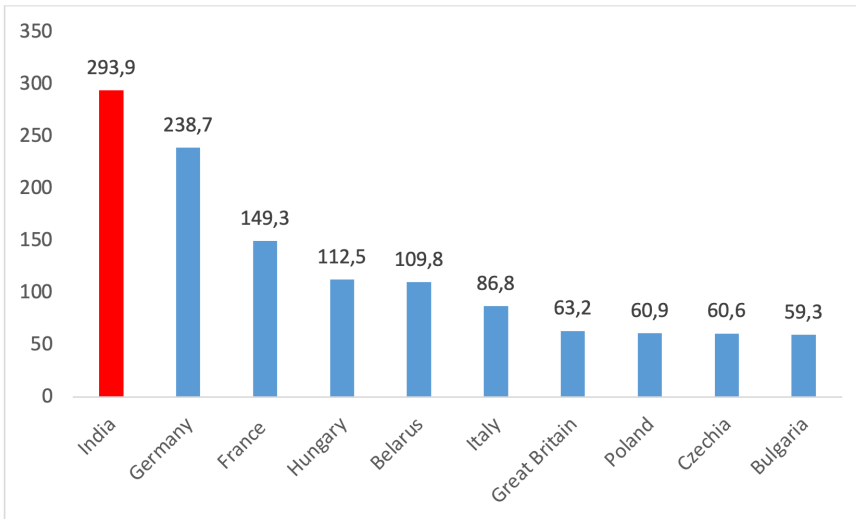
Table 2. Main destinations of Indian pharmaceutical exports, 2022

Country	Export, mln dollars	Share of Indian pharmaceutical exports, %	Share of Indian imports in overall pharmaceutical imports, %	India's position among chief pharmaceutical suppliers
U.S.	5 186,2	39,8	8,2	4
UK	463,5	3,6	1,5	11
South Africa	417,9	3,2	19,3	1
Nigeria	354,8	2,7	37,4	1
Russia	335,7	2,6	5,1	6
TOTAL	13 042,7	100	2,5	10

Source: Indian Ministry of Commerce and Industry

In 2023, India became the leading supplier of medicines to Russia, having surpassed Germany, France and other countries.

Graph 2. Top 10 exporters of pharmaceutical products to Russia in 2023, mln packages (India, Germany, France, Hungary, Belarus, Italy, the UK, Poland, Czechia, Bulgaria)



Source: Russian Federal Customs Service

Saffarm, a joint venture between India's Safecon Lifesciences and the Biopharmaceutical Center, owned by India's Avicare Bio Science, signed an agreement with the Far East and Arctic Development Corporation and the Murmansk Region Administration at the St. Petersburg International Economic Forum in June to build a production facility in the region with investments of over 9 billion rubles. It was later announced that the Russian Direct Investment Fund (RDIF) would act as a co-investor. At the same forum, India's Advanced Lifescience agreed with the Moscow region to build a plant and drug development center in the Dubna SEZ with investments of over 1 billion rubles.

Representatives of AJ Trust Educational Consultancy said at a meeting with Stavropol Territory Governor Vladimir Vladimirov in September 2023 they were ready to build a plant in the region with an investment of over 1 billion rubles. The management of Virend International also discussed an investment proposal of 1 billion rubles with the government of the Chechen Republic to open a plant in the republic.

Solutions

The initiators of the projects, which are being announced by Russian regions, are second-tier Indian companies, taking advantage of the opportunities after the departure of pharmaceutical giants. It is obvious that such

initiatives should be encouraged in every possible way and scaled up to other Russian constituent territories, both as current territorial development mechanisms (special economic zone, rapid development territory, special project financing society, cluster investment platform or public-private partnership concession) and joint ventures with Indian companies. Of course, assistance can be provided by Russian presidential representatives to federal districts by organizing events to promote industrial sites in the regions under their jurisdiction.

Transparency and predictability of the Russian market for Indian investors are of the utmost importance in these processes. In this regard, the National Coordinating Center for International Business Cooperation (NCC) has developed and publishes, including in English, a monthly review of Russian taxes for foreign companies. The NCC also has a Business Adaptation Center, where a comprehensive program of support for foreign companies entering the Russian market is offered.

CONCLUSION



Indian Prime Minister Narendra Modi meeting with Russian President Vladimir Putin in New Delhi

Indian Prime Minister Narendra Modi said he would pay his first foreign visit after reelection to Moscow. Indian media described the visit as a keynote event, considering that Washington and its allies exert certain pressure on New Delhi. No doubt, the most important issues on the agenda of summit and high-level negotiations are not only the main topics of interstate cooperation, such as military-technical cooperation and terms of Russian hydrocarbons' supply to India, but also associated issues of the

trade and economic spectrum that concern the business communities of both countries, including cross-border settlements, customs regimes, insurance, investment protection, etc.

Russia and India are member states of the BRICS+ group⁸ that is evolving into one of the world's most noticeable economic powers. The top five countries in the world in terms of GDP by purchasing power parity (PPP) include key BRICS members: China (1st place), India (3rd place) and Russia (4th place). The United States and Japan rank second and fifth. Further strengthening of positions in the global economy is the goal that all BRICS+ members are striving for. However, achieving this goal requires joint efforts, since it is associated with solving similar problems. At the same time, the main challenge for BRICS+ members is to ensure economic growth without allowing a sharp increase in the cost of living. This problem can be solved by developing competition in the domestic market of countries, which will certainly be facilitated by the growth of mutual trade, as well as the availability of affordable energy resources leading to GDP growth with the lowest costs.

Prime Minister Modi's visit to Russia definitely presents great opportunities for bilateral trade and economic cooperation and further economic growth of India. It will also serve the purpose of further development of Russian-Indian relations and higher prosperity of people in both countries, especially as Russian-Indian trade hit a record of \$65 billion in 2023. Apart from logistics (the North-South Transport Corridor, the Northern Sea Route and the Eastern Corridor), a chief factor of the rapid growth of national economies is the development of monetary, financial and investment cooperation, as a substantial part of trade operations are conducted in rubles and rupees.

The BRICS+ segment of the global monetary and financial market based on national currencies is gradually taking shape as an alternative to the dollar. While being formed spontaneously, on the basis of commodity-currency clearing, it lacks financial instruments attractive to investors, and the volatility of national currencies requires a third – reserve currency– to replace the dollar. Accordingly, its development strengthens the economic sovereignty of the participating countries and protects their long-term economic interests.

The future forms of monetary and financial association can offer a significant incentive for further strengthening of relations between BRICS+



members and motivate other states to join the group. The development of a service business infrastructure to support the activities of companies in BRICS+ members and ensure unimpeded access for business to each other's investment, production, scientific and technological markets is becoming a key task for the governments and business associations of the group members.

⁸ In 1999-2022, the share of ten states (Brazil, Russia, India, China, South Africa, the UAE, Iran, Egypt, Saudi Arabia, and Ethiopia), BRICS+ members, in the overall GDP by purchasing power capacity grew from 20.7% to 35.2%. Meanwhile the share of G7, uniting the world's developed nations, decreased from 44.8% to 29.3%. Clearly, the group will enlarge at the 16th BRICS+ summit in Kazan in October 2024, as over 30 states have expressed their wish to join the alliance.

THE NATIONAL COORDINATING CENTER FOR INTERNATIONAL BUSINESS COOPERATION

www.nccibc.ru

The National Coordinating Center for International Business Cooperation (NCC) was created by the Russian Union of Industrialists and Entrepreneurs in 2014 jointly with interested Russian companies, business associations and government authorities in the format of a non-profit partnership.

The decision to create the NCC was made in accordance with the instructions of clause 5 of the Minutes of the meeting with the Chairman of the Government of the Russian Federation "On the development of cooperation between Russia and the countries of the Asia-Pacific region" (dated May 12, 2014 No. DM-P2-38pr), as well as by resolution of the Bureau of the Board of the Russian Union of Industrialists and Entrepreneurs (dated June 18, 2014 No. Bp-2/9).

Before 2023, the organization's name was the "National Coordinating Center for the Development of Economic Relations with the Countries of the Asia-Pacific Region." On October 16, 2023, it received its current name and status as an autonomous non-profit organization.

The co-founders of the NCC include the Russian Union of Industrialists and Entrepreneurs, the Chamber of Commerce and Industry of Russia, the Russian Export Center, the all-Russian non-governmental organization Business Russia, the all-Russian non-governmental organization of small and medium-sized businesses OPORA RUSSIA, the Institute of China and Contemporary Asia of the Russian Academy of Sciences, the AEON Corporation, Renova Group, Russian Railways holding.

Kirill Babaev was elected President of the NCC. He also holds the post of director of the Institute of China and Contemporary Asia of the Russian Academy of Sciences.

The main goal of the NCC's work is to provide businesses wishing to enter and strengthen their positions in Asian markets with practical, expert and analytical assistance and support in establishing partnerships, business and trade relations, and interaction between government authorities of Russia and Asian countries.

The National Coordinating Center for International Business Cooperation opened its representative offices in China, Mongolia, India, Spain, Iran, the United Arab Emirates, Uzbekistan, Azerbaijan, Algeria, Angola, Benin, Guinea, Cameroon, Côte d'Ivoire, Libya, Morocco, Nigeria, Tunisia.

NATIONAL COORDINATING CENTER PROVIDES SERVICES IN THE FOLLOWING AREAS:

ANALYTICS

We constantly monitor the situation and conduct an in-depth analysis of markets, industries, regions, and make our own pricing and competitive analytics.

IMAGE

We will advise and help you to create a corporate image abroad, taking into account the specifics of the countries of the Asia-Pacific region.

EXPERTISE

We carry out export and investment examination of projects, help adapt the product to the requirements of foreign partners.

BUSINESS MISSIONS AND EVENTS

We organize business missions to the countries of Asia and the Middle East and events: exhibitions, presentations, Road Shows, business forums.

GOVERNMENT RELATIONS

We negotiate with the authorities of foreign countries and help obtain permits.

BUSINESS RELATIONSHIP

We know and explain how to build sustainable technological, trade and investment relations.

SEARCH FOR PARTNERS

We find and check contractors and business partners.

STRATEGIES

We develop strategies for entering new markets in the Asia-Pacific region.



The report is co-authored by the National Coordinating Center for International Business Cooperation, the Russian Academy of Sciences' Institute of China and Contemporary Asia, and the Russian-Asian Business Council.

Project supervisor:

Pavel Kuznetsov

Project team:

Maxim Fomin

Maxim Kuznetsov

Grigory Kovalenko

Vera Pronkina

Galina Grigorovskaya

Nikita Kryukov



Disclaimer:

The National Coordinating Center for International Business Cooperation (NCC) takes reasonable steps to ensure that the report content is accurate and up-to-date.

However, NCC bears no responsibility for actions of individuals or entities based directly or otherwise on the information provided in the report.

The report content is provided as is, and NCC makes no representations or warranties of any kind regarding the report and its content,

including but not limited to its timeliness, relevance, accuracy, completeness, reliability, availability or sustainability for any particular purpose, or that the report and its content do not infringe the rights of third parties.

To the fullest extent permitted by applicable law, NCC disclaims any representations or warranties that might otherwise be implied and disclaims all liability associated with the report, its content, and their use.



Telegram:
[@nccenter](https://t.me/nccenter)

CONTACT INFORMATION

Address: 3 Taganskaya Street, Moscow, 109147

Phone: +7 (495) 990 25 18

Email: info@nccibc.ru

Website: www.nccibc.ru



NATIONAL COORDINATING CENTER FOR
INTERNATIONAL BUSINESS COOPERATION



INSTITUTE OF CHINA
AND CONTEMPORARY ASIA
OF THE RUSSIAN ACADEMY OF SCIENCES



RUSSIAN - ASIAN
BUSINESS COUNCIL
俄罗斯亚洲实业家理事会