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India-Russia Relations in Troubled Times: Steady but Stagnating

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Abstract

This paper examines the trajectory of India-Russia relations post-February 2022. The war in Ukraine emerged as a significant challenge for bilateral ties, presenting new obstacles to political and diplomatic relations and intensifying the previous difficulties in developing economic cooperation.

Moscow and New Delhi have demonstrated divergent approaches to the advancement of their strategic partnership. While Russia has rushed into reinventing the old friendship with India, the latter has acted with greater discretion. New Delhi has demonstrated a nuanced approach to navigating the Russia-Ukraine conflict, staying on good terms with Moscow and the West. India's record imports of Russian crude and other commodities, at times in defiance of Western sanctions, have allowed for a considerable boost in bilateral trade. While this "oil connection" may benefit both the Indian and Russian economies, it should not be misperceived as a leap forward in partnership.

The structural challenges appear to still prevent the two sides from reinvigorating the economic ties. Furthermore, their geopolitical understanding is waning, and their defense cooperation is currently in a state of limbo. As long as the war in Ukraine persists, India seems to be prioritizing maintaining the status quo in its relationship with Russia over pursuing new initiatives. This may help to prevent the two sides from drifting apart too far in the near term but is unlikely to lead to any substantive progress in their relationship.

Résumé

Cette note examine la trajectoire des relations entre l'Inde et la Russie après février 2022. La guerre en Ukraine est apparue comme un défi important pour les liens bilatéraux, présentant de nouveaux obstacles pour les relations politiques et diplomatiques, et intensifiant les difficultés antérieures dans le développement de la coopération économique.

Moscou et New Delhi ont adopté des approches divergentes pour faire progresser leur partenariat stratégique. Alors que la Russie s'est empressée de réinventer sa vieille amitié avec l'Inde, cette dernière a agi avec plus de discrétion. New Delhi a fait preuve d'une approche nuancée dans le conflit entre la Russie et l'Ukraine, en restant en bons termes avec Moscou et l'Occident. Les importations record de pétrole brut russe et d'autres produits de base par l'Inde, parfois au mépris des sanctions occidentales, ont permis de stimuler considérablement le commerce bilatéral. Si cette « connexion pétrolière » peut être bénéfique pour les économies indienne et russe, elle ne doit pas être perçue à tort comme un bond en avant dans le partenariat.

Les défis structurels semblent toujours empêcher les deux parties de revigorer leurs liens économiques. En outre, leur compréhension géopolitique s'affaiblit et leur coopération en matière de défense est actuellement dans les limbes. Tant que la guerre en Ukraine persiste, l'Inde semble donner la priorité au maintien du *statu quo* dans ses relations avec la Russie plutôt qu'à la poursuite de nouvelles initiatives. Cela peut contribuer à éviter que les deux parties ne s'éloignent trop à court terme, mais il est peu probable que cela conduise à des progrès substantiels dans leurs relations.

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Introduction

February 24, 2022, will be a date to remember in Russia's history, although it is not yet clear how it will be treated in the history books. President Vladimir Putin's decision to send troops to Ukrainian territory, dubbed as a "special military operation", provoked a war between Russia and Ukraine, increased (even if not direct) confrontation between Russia and the West, and a severe military and humanitarian crisis in Eastern Europe, with no clear path for resolution. As a result of this decision, Moscow has found itself isolated and desperate to reorient its policies and exports from the West to the East.

Despite gloomy forecasts by many analysts, the Russian economy has managed to ride out the unprecedented sanctions and the exodus of large international companies. Yet, the sanctions will have a long-term effect, disrupting Russia's access to advanced technologies and gradually eroding its capacities across various industries. In effect, the restrictions have already challenged Moscow's attempt to initiate another "pivot to the East", with foreign transactions facing various hurdles and globalized businesses from across Asia and the Middle East hesitating to connect with Russian companies.

Although New Delhi does not support Russia's military actions in Ukraine, it has steered clear of public condemnation. Instead, its position on the Russia-Ukraine conflict has been one of balancing between the two sides of the crisis. On numerous occasions, Indian officials have stated that India stands for peace and the earliest resolution of the conflict. But, even as the war between Russia and Ukraine is raging on, India has not turned away from Moscow, continuously advocating the need for maintaining close dialogue. India's External Affairs Minister S. Jaishankar has repeatedly described India-Russia ties as "among the steadiest of the major relationships of the world in the contemporary era".¹

However, over the last decade, the perceived stability of this relationship has changed into stagnating cooperation, with underdeveloped economic ties and divergent geopolitical visions masked behind the fine words about "a special and privileged strategic partnership", first enunciated during President Dmitry Medvedev's visit to India in December 2010. For this relationship, which has passed through the complex junctures of the Cold War period and the headwinds of the 1990s, the conflict in Ukraine has emerged as a turning point. The question, then, is to what extent India-

1. Remarks by External Affairs Minister, Dr. S. Jaishankar at the "India-Russia Business Dialogue", April 17, 2023, available at: www.mea.gov.in.

Russia relations are exposed to the war's consequences and if the two governments are ready to stick with each other at a time of geopolitical churn.

This paper examines the implications of the Russia-Ukraine military conflict for India-Russia relations. First, it explores the new formats of political dialogue between New Delhi and Moscow and the nuances of India's diplomatic neutrality over the Russia-Ukraine conflict. Second, it briefly outlines how the war has affected the two states' geopolitical visions and their approaches to different regional issues. Then, it provides an overview of bilateral economic ties and identifies the changing patterns of cooperation in two key areas, defense and energy, highlighting several challenges for further engagement.

Impact of war: the strategic partnership in a hybrid mode

The wrinkles in the Russia-India relationship were evident long before the outbreak of the war in Ukraine. The bilateral understanding of geopolitical issues was tested on several occasions during the 2010s, with Russia's rapprochement with China and Pakistan and India's strengthening ties with the United States. The unexpected impact of the Covid-19 pandemic on bilateral political ties was reflected in the decision to forego the annual summit in 2020, even in a virtual format. This was a notable departure from historical practice, which had been uninterrupted since 2000, and for a partnership driven by top-down decision-making, the absence of a leaders' meeting suggested stagnation and difficulties in the relationship.

The December 2021 summit partially improved this impression, as President Putin brought a representative delegation to New Delhi, and the two sides managed to sign some agreements. However, the summit was overshadowed by the Sino-Russian joint statement during Putin's visit to Beijing on February 4, 2022, which proclaimed a "no-limits friendship". The new level of proximity between Moscow and Beijing set off alarm bells in New Delhi a few weeks before the start of the war in Ukraine.

The political dialogue: weaker than before the war?

Since February 2022, the political interactions between the two states have seen a considerable transformation. For India, Russia turned into a crisis zone requiring a special approach. Prime Minister Narendra Modi had to apply telephone diplomacy with the Russian President to rescue stranded Indian citizens, the majority of whom were students from the conflict area. Telephone conversations became a constant feature of the leadership talks. The only personal meeting between Modi and Putin in the 24 months following the invasion of Ukraine was held on the sidelines of the Shanghai Cooperation Organization (SCO) summit in Samarkand in September 2022. These talks were brief and formal and not particularly fruitful. Shortly thereafter, Prime Minister Modi decided to skip his visit to Moscow "due to scheduling issues", so the annual leaders' summit of December 2022 was postponed. The same situation repeated in 2023 as the summit did not occur owing to the "inability to bring the two leaders' schedules together".² The lack

2. "Kremlin Spokesman Rules out Putin-Modi Meeting in 2023, Says it is Possible in 2024", TASS, November 22, 2023, available at: <https://tass.com>.

of bilateral meetings at the leadership level resulted in no new agreements, while many documents signed at the 2021 summit in New Delhi either did not materialize or remained in limbo, like the 10-year Defense Cooperation Program, which was expected to take forward cooperation in research and development, production and after-sales support of armament and military equipment, as well as military exercises and exchanges between the two armed forces.

Recent interactions between Russian and Indian officials can be classified into three categories: urgent, scheduled, and ad hoc (see Annex). The role of telephone diplomacy has increased over the last two years to the extent that eight out of nine interactions at the leadership level from February 2022 to March 2024 were conducted over the phone. Many of the Modi-Putin conversations have occurred either spontaneously or because of unforeseen events. The never-ending battles on the war front and the new twists in Russian domestic politics, like the Wagner private military company's mutiny in June 2023, called for more urgent and ad hoc talks, which are important for India to feel the pulse of its strategic partner.

The main political interaction was clearly relegated to a lower level – that of ministers and national security advisers (NSAs). The agenda of these meetings has become unusually vast, covering areas from defense and security to economic issues. In some cases, for example, during the unannounced visit to Moscow by NSA Ajit Doval in August 2022, the talks were held unofficially.³ In other cases, the dialogue has faded away, as illustrated by the ministerial '2+2 dialogue', which was held for the first time in December 2021 but has not been reconvened since then.

Russian and Indian ministers did meet, but mainly at multilateral gatherings. The high number of meetings, especially at the level of foreign ministers, created the impression of intensive diplomacy between the two states but was partially explained by India's presidency of the G20 and SCO in 2022–2023.

A close look at the bilateral agenda indicates that Russia-India interactions have been reduced to "damage control". Since February 2022, the dialogue has revolved around the Russia-Ukraine conflict and its implications. The Indian side has sought to mitigate the fallouts from the war in Ukraine and ensure that essential supplies from Russia stand uninterrupted. For Russia, it has been vital to achieve India's enduring neutrality over the Ukraine crisis and to open up new supply chains for its commodities. These mutual needs created a situation in which the Indian market emerged as an important destination for Russian exports, although a range of economic issues prevented the two sides from expanding cooperation.

3. "On Visit to Russia, NSA Ajit Doval Meets Dy Prime Minister Denis Manturov", *Hindustan Times*, August 18, 2022, available at: www.hindustantimes.com.

The shades of India's diplomatic neutrality on the Russia-Ukraine war

President Putin's decision to invade Ukraine caught the Indian leadership by surprise. The fact that around 20,000 Indian students were stranded on Ukrainian soil forced the Indian government to hold intensive talks with both Moscow and Kyiv. The need to evacuate Indian citizens was arguably the main reason for several rounds of Modi's phone talks with Vladimir Putin and Volodymyr Zelenskyy in the first weeks of the war. Interestingly, in the first phone conversation with President Putin on February 24, 2022, Prime Modi framed the conflict as a confrontation between Russia and NATO, expressing his conviction that "differences [between them will] be resolved through honest and sincere dialogue".⁴ This points to India's initial understanding of the conflict as a fallout from the failed negotiations between Russia and the US, and Russia and NATO.⁵ However, in his subsequent interactions, Modi referred to the need for direct talks between Russia and Ukraine.

At the United Nations, India took a neutral stance from the very beginning. The principles underlined in the explanation of its vote at the UN Security Council (UNSC) on February 25, 2022, have been driving New Delhi's diplomatic position since then. These are the immediate cessation of violence and hostilities, respect for the UN Charter, international law, the territorial integrity and sovereignty of all states, and a return to the path of diplomacy and dialogue.⁶ Even as some of these points revealed a dichotomy in its approach to the Russia-Ukraine conflict, New Delhi has adhered to an abstentionist position at the global discussions.⁷ As of December 2023, the Indian Permanent Mission to the UN abstained from voting on all UN resolutions about the conflict in Ukraine. Despite calls from some partner states, India did not join in condemning Russian actions. New Delhi's stance remained staunch even after Russia's referendums in four southern and eastern Ukrainian regions and the proclamation of their annexation in September 2022.⁸ India's abstention at the

4. Phone call between Prime Minister Shri Narendra Modi and H. E. Vladimir Putin, President of the Russian Federation, available at: <https://mea.gov.in>.

5. The debate about the NATO factor as a reason for Russia's invasion is still alive in the Indian expert community. According to some experts, the invasion, although unjustified, was not entirely "unprovoked", due to Ukraine's path towards integration with NATO and the lack of substantive response from the US to Russia's proposals submitted in December 2021. See M. Kumar, *India's Moment: Changing Power Equations Around the World*, Gurugram: HarperCollins Publishers, 2023, pp. 156-157.

6. UNSC Adoption of Resolution on the situation in Ukraine [February 25, 2022; 1500 hrs], Statement by Ambassador T.S. Tirumurti, Permanent Representative of India to the United Nations, available at: <https://pminewyork.gov.in>.

7. J.-L. Racine, "L'Inde dans le jeu des puissances, entre Ukraine et G20", *Politique étrangère*, Vol. 88, No. 2, Ifri, Summer 2023.

8. "With 143 Votes in Favour, 5 Against, General Assembly Adopts Resolution Condemning Russian Federation's Annexation of Four Eastern Ukraine Regions", United Nations, October 12, 2022, available at: <https://press.un.org>.

votes in the Security Council and General Assembly arguably contradicted its nurtured principle of territorial integrity and sovereignty.⁹

In accordance with its designation as a “first responder” to various crises, New Delhi has consistently provided humanitarian assistance to Ukraine since the outset of the war. From March 2022 to February 2024, India dispatched 15 shipments of humanitarian aid to Ukraine, including essential medical supplies, medical equipment, diesel generator sets, and other vital relief materials. Additionally, New Delhi provided financial assistance to several educational institutions in Kyiv for reconstruction and refurbishment, as well as teacher training.¹⁰

India’s neutrality has elicited different interpretations. One reading points to the continued importance of Russia for India in terms of commitment to a polycentric world order. This vision is reinforced by the fact that some non-Western organizations and groups have continued to function with Russia’s participation (e.g., BRICS (Brazil, Russia, India, China, and South Africa), SCO (Shanghai Cooperation Organization)), while some others (such as OPEC (Organization of the Petroleum Exporting Countries)) still involve Russia in their decision-making.¹¹ Furthermore, one year after the invasion of Ukraine, there was an increase in the number of developing nations that, seeking to reap economic benefits, were reluctant to take sides and adhered to a neutral or even a “Russia-leaning” position.¹²

Relying on the results of the developing nations’ votes at the UN, Russian scholars have promoted the concept of the “world majority” – the rising non-Western states that constitute the largest part of the world by population and “have no binding relationships with the United States and the organizations it patronizes”.¹³ According to their estimations, the majority of developing nations have been either neutral or even sympathetic to Russia in their reactions to the

9. The Indian public’s perception of the war in Ukraine is characterized by a complex set of opinions. In an Ipsos survey, a large majority of respondents (81%) believed that New Delhi should “support sovereign countries when they are attacked by other countries”, but 62% of people also asserted that the issues facing Ukraine were “none of [India’s] business” and that it should refrain from interference. The Indian public continues to hold a positive view of Russia. According to the Ipsos survey, 66% of respondents supported the maintenance of diplomatic ties with Russia. And a Pew Research Center survey indicated that Indians stand out in their approach to Russia, with 57% expressing a favorable opinion of the country. See “The World’s Response to the War in Ukraine: A 28-country Global Advisor Survey”, Ipsos, January 2023, available at: www.ipsos.com; C. Huang, M. Fagan and S. Gubbala “Indians’ Views of Other Countries,” Pew Research Center, available at: www.pewresearch.org.

10. Question No. 703 Humanitarian Assistance in the Russia-Ukraine Conflict, Ministry of External Affairs, Government of India, available at: www.mea.gov.in.

11. P. S. Raghavan, “Ukraine Crisis: A Point of Inflection for the Emerging World Order”, Indian Council of World Affairs, 2022, available at: www.icwa.in.

12. “Russia’s Pockets of Support Are Growing in the Developing World”, Economist Intelligence Unit, March 7, 2023, available at: www.eiu.com.

13. For an explanation of the term and the vision of Russia’s role, see S. Karaganov, A. Kramarenko, and D. Trenin, “Russia’s Policy Toward World Majority”, Moscow: National Research University Higher School of Economics, Council on Foreign and Defense Policy, 2023.

Russia-Ukraine conflict.¹⁴ India is often included in the category of “sympathetic states”, even as it has not shown any signs of support for, let alone endorsement of, Moscow’s “special military operation” in Ukraine.

According to a different interpretation, India is taking a nuanced position on the war, holding back from condemning Russia publicly, for pragmatic reasons, but indirectly criticizing its actions.¹⁵ For instance, Indian diplomacy “unequivocally condemn[ed] the killing of civilians in Bucha and support[ed] an independent investigation”¹⁶ of the incident in April 2022, and India voted against the Russian proposal to ban Ukrainian President Zelenskyy from speaking at the UNSC in August 2022.¹⁷ Some of India’s Western partners took Prime Minister Modi’s remarks at the meeting with President Putin in September 2022 that “... today’s era is not an era of war” as a signal to the Russian leader about the need to stop hostilities and as a “subtle shift” in India’s approach to the war.¹⁸ Indeed, Putin was seemingly not happy to hear these words from Modi. One could even read his irritation when he underlined that he knew “[Modi’s] position on the conflict in Ukraine and the concerns that [he] *constantly* express[ed]”.¹⁹ However, Modi’s remarks did not provoke any negative reaction in Russia and were perceived as a continuation of the diplomatic line to find a peaceful solution to the conflict. Modi’s message was aired by major Russian media as one addressed to all sides of the confrontation.

The Modi government sent other important signals to Moscow, including on the nuclear issue. In October 2022, during a telephone conversation with his counterpart Sergey Shoigu, Defense Minister Rajnath Singh pointed out that “the nuclear option should not be resorted to by any side as the prospect of the usage of nuclear or radiological weapons goes against the basic tenets of humanity”.²⁰ New Delhi remains concerned about the scenario of nuclear escalation and is firm on the issue; a similar message was delivered in other Indian statements, including in multilateral ones.

The evolution of India’s diplomatic stance on the war is best illustrated in its multilateral engagements. This is especially the case in the Quad meetings, where India was hesitant about addressing Russia’s invasion of Ukraine, more specifically in the joint statements. In early February 2022, India insisted that the developments in and over Ukraine were not part of the Quad’s agenda as the

14. I. A. Safranchuk, A. D. Nesmashnyi, and D. N. Chernov, “Africa and the Ukraine Crisis: Exploring Attitudes”, *Russia in Global Affairs*, Vol. 21, No. 3, 2023, pp. 159-180.

15. H. Jacob, “Russia is Losing India”, *Foreign Affairs*, September 22, 2022, available at: www.foreignaffairs.com.

16. UNSC meeting on Ukraine [April 5, 2022; 1000 hrs], remarks by Ambassador T.S. Tirumurti Permanent Representative of India to the United Nations, available at: <https://pminewyork.gov.in>.

17. “For 1st Time, India Votes Against Russia in UNSC on Ukraine”, *The Times of India*, August 26, 2022, available at: <https://timesofindia.indiatimes.com>.

18. “Subtle Shift in India’s Position on Ukraine and Russia: US Official”, *Business Standard*, June 22, 2023, available at: www.business-standard.com.

19. Meeting with Prime Minister of India Narendra Modi, available at: <http://en.kremlin.ru>.

20. D. Peri, “No Side Should Resort to Nuclear Option, Rajnath Tells Russian Counterpart”, *The Hindu*, October 26, 2022, available at: www.thehindu.com.

primary geographic focus of the grouping was the Indo-Pacific.²¹ However, this approach was revised immediately after Russia's troops crossed the Ukrainian border and the Russia-Ukraine conflict made it to the Quad agenda. In the March 2022 joint readout of the Quad leaders call²² and in the May 2022 Quad joint leaders' statement,²³ "the conflict in Ukraine" was said to be assessed by the member states through its "broader implications" for the Indo-Pacific region, arguably at New Delhi's urging. One year on, however, "the war raging in Ukraine" has turned into a separate issue on the Quad's table, with the four states' consensus on its "terrible and tragic humanitarian consequences" and its "serious impacts on the global economic system", as well as an agreement that "the use, or threat of use, of nuclear weapons, is serious and inadmissible".²⁴

India's stand at the G20 has also been consistent. The Modi government played an important role in persuading Moscow to sign up to the Bali declaration issued after the G20 summit in November 2022. That text referred to the UN Security Council and General Assembly resolutions condemning "the aggression by the Russian Federation against Ukraine" and demanding "its complete withdrawal from the territory of Ukraine".²⁵ However, the adoption of a similar declaration containing the same two paragraphs about the war in Ukraine emerged as a sticking point at the G20 foreign ministers' meeting in New Delhi in March 2023. Foreign Minister Sergey Lavrov immediately blamed the G7 countries for their "emotional attempts to highlight the situation around Ukraine as the Russian aggression".²⁶ India, however, as the G20's chair, resorted to an uncommon practice of issuing an Outcome Document reiterating the disputable paragraphs from the Bali declaration and highlighting Russia's and China's opposition to their inclusion in the final text.²⁷

When it already seemed impossible to reach any consensus on Russia-Ukraine by the G20 summit in September 2023, the Indian presidency managed to come up with a joint statement version acceptable to all. The text was toned down as compared to the Bali declarations' references and did not call out Russia by name, but, with reference to the war in Ukraine, it highlighted the unacceptability of "the threat or use of force to seek territorial acquisition against the territorial integrity and sovereignty or political independence of any state".²⁸

21. "In First Physical Meeting in Two Years, Quad Foreign Ministers Discuss Ukraine, Myanmar", *The Wire*, February 11, 2022, available at: <https://thewire.in>.

22. Joint Readout of Quad Leaders Call, March 3, 2022, available at: <https://mea.gov.in>.

23. Quad Joint Leaders' Statement, May 24, 2022, available at: <https://mea.gov.in>.

24. Quad Leaders' Joint Statement, May 20, 2023, available at: <https://mea.gov.in>; Joint Statement: Quad Foreign Ministers' Meeting, March 3, 2023, available at: <https://mea.gov.in>.

25. G-20 Bali Leaders' Declaration, available at: www.g20.org.

26. Foreign Minister Sergey Lavrov's statement and answers to questions following the G20 Foreign Ministers' Meeting, New Delhi, March 2, 2023, available at: <https://mid.ru>.

27. A. Zakharov, "The Multilateral Moment for India and Russia", Gateway House, March 30, 2023, available at: www.gatewayhouse.in.

28. G20 New Delhi Leaders' Declaration, available at: www.g20.in.

Geopolitical views at odds?

The Russia-Ukraine conflict has considerable geopolitical implications across Eurasia. The primary question for New Delhi concerns the impact of the war on the trajectory of Moscow-Beijing engagement. A major worry in the Indian strategic community is that a weakened Russia becomes more and more economically dependent on China, which might lead to Chinese influence over Moscow's decision-making, including on matters that are sensitive for India. Even as many Indian experts acknowledge India's historical relationship with Russia, they express deep concern about the strategic fallouts of the conflict in Ukraine for Moscow.

Uneasy equilibrium in disassembled Eurasia

Russia's military campaign in Ukraine has undermined its concept of a "Greater Eurasia Partnership". First, with combat action at the heart of Europe, the concept of a united continent, doomed to failure from its inception, has become even more utopian. The problem for Moscow is that, apart from frayed relations with almost all European nations, many of its Asian partners, except probably for Iran and North Korea, have supported its invasion neither politically nor militarily. While economically benefiting from grey re-exporting schemes of sanctioned goods to Russia, many states in Asia continue to carefully navigate between the West and Russia. One example is Central Asia. Even though Moscow has retained some political influence in the Central Asian Republics (CARs), it has ceded much space to China, which, apart from being the major economic partner for the region, has increased its political and defense engagements. For India, this trend is worrisome as it had hoped to foster security cooperation with Russia in Central Asia but now is seemingly forced to manage on its own.

Previously, India's foreign policy in the region had been perceived as one of a "mute spectator" and "fence-sitter".²⁹ An intent to reconnect with the CARs was an important reason for the Modi government joining the SCO in 2015. Since then, the Indian expert community has generally felt that SCO is significant for India's geopolitical interests because it includes all the main players on the Eurasian continent. An even more important argument has been that ignoring SCO "would inevitably lead to the field

29. M. Singh Roy, "India's Options in the Shanghai Cooperation Organization", *Strategic Analysis*, Vol. 36, No. 4, 2012.

being left open to China”.³⁰ The Indian presidency of the grouping in 2022–2023, however, demonstrated that there can hardly be any breakthrough for SCO states on security matters, and the only viable areas for interaction are economic and cultural exchanges,³¹ even if these do not provide immediate deliverables. Moreover, India’s interest in SCO has markedly decreased in recent years since it has created its own tracks of interaction with the CARs – not only biennial summits at the leaders’ level but also regular meetings of NSAs and foreign and trade ministers – and has deepened bilateral partnerships with them.

A regional issue on which Russia and India are still in close touch is Afghanistan. After the Kabul takeover by the Taliban in August 2021, both had to adjust their approaches. At the onset of the Taliban’s grab of power, Russian diplomats were delighted at the “stability” and “order” in the Afghan capital; however, after a series of violent terrorist attacks, including against the Russian embassy in Kabul, they had to admit the grim reality of the security situation and the lack of progress under Taliban rule.³² While maintaining close diplomatic ties with the Taliban, Russia has limited influence with them.

Some experts believe that Russia’s Afghan policy has since shifted from the Ministry of Foreign Affairs (MFA) to the Security Council, which has always been less enthusiastic about the Taliban, particularly its links with different terrorist groups.³³ Such a potential change of responsibilities looks beneficial for India since the MFA is known to have advocated for the Pakistani regional role, including the Afghan settlement and a closer partnership between Moscow and Islamabad. Afghanistan remains high on the Russia-India agenda, specifically in the conversations between the NSAs, who share rather similar, realistic views of the Taliban. During a call on President Putin by NSA Ajit Doval in February 2023 – a rare instance in the two countries’ bilateral diplomatic practice – Afghanistan was presumably a subject of conversation.

Russia has also assisted Indian officials’ dialogue with the Taliban interim government members, in particular with the representatives of the Haqqani network,³⁴ and has provided India with different venues for interactions with the regional stakeholders and Taliban’s representatives.

30. D. B. Venkatesh Varma, “India and the Shanghai Cooperation Organization: Looking Forward to the 2023 Summit”, Indian Council of World Affairs, 2022, available at: www.icwa.in.

31. I. Hall, “Soft Balancing and the Slow Demise of the Shanghai Cooperation Organization”, *China-India Brief*, No. 227, July 13, 2023, available at: <https://lkyspp.nus.edu>.

32. See the interview of the Russian Ambassador to Afghanistan Dmitry Zhirmov (in Russian), available at: <https://iz.ru>.

33. A. Serenko, “‘Linija Patrusheva’ perebila ‘liniju Kabulova’: Moskva nakonec-to nachinaet trezvo smotret’ na talibskuju huntju v Kabule” [The “Patrushev Line” has overwhelmed the “Kabulov Line”: Moscow is finally beginning to take a sober look at the Taliban junta in Kabul], Telegram, February 14, 2023, available at: <https://t.me>.

34. K. Taneja, “India Still Needs to Work with Russia on Afghanistan”, *The Interpreter*, available at: www.lowyinstitute.org.

Despite retaining some plausible apprehensions about the Pakistani role in the Russian approach toward the Afghan settlement, India has participated in all Moscow-led diplomatic initiatives, such as “the Moscow format” and other regional forums on the subject. Russia, for its part, has supported Indian steps to reopen a diplomatic mission in Kabul and, based on its strengthened ties with Tehran, has promoted the trilateral Russia-India-Iran consultations on Afghanistan.³⁵

However, Moscow and New Delhi have notably divergent views on the Afghan settlement. First, India has been more cautious than Russia about diplomatic recognition of the Taliban’s Islamic Emirate of Afghanistan (IEA). Secondly, unlike Russia, China and Iran, India has never stood against the US presence in the region. Moreover, New Delhi has not backed Russian officials’ claims that Washington might be behind funding terror groups in Afghanistan. Yet, with US attention being taken off Afghanistan, Russia and India have become even more tied together.³⁶

If Russia ceases to be among the most vocal proponents of the Taliban regime and starts demanding more from them, particularly on security issues, there could be even more synergy with New Delhi. India, however, will hardly be supportive of Russia’s anti-US policy on regional issues and will likely remain committed to its delicate balancing in Afghan affairs.

The illusions of the Indo-Pacific connect

Looking back to 2019, one can note the scale of bilateral engagements, which preceded the Russia-India summit in Vladivostok in September of that year. Apart from a visit to Moscow by External Affairs Minister Jaishankar, various Indian officials visited Russia and prepared the ground for Modi’s visit.³⁷ Modi’s agenda in Vladivostok was quite noteworthy as he was the chief guest at the Eastern Economic Forum (EEF). In his EEF speech, he launched the “Act Far East policy,” whose manifestation was the announcement of a \$1 billion credit line for the development of the Russian Far East (RFE).³⁸ Most importantly, he expressed his conviction that the two countries were starting “a new era of cooperation in the Indo-Pacific” and the RFE would become “a confluence of the Eurasian Union on one side and the open, free and inclusive Indo-Pacific on the other”.³⁹

35. A. Aneja, “India Joins Russia and Iran to Form Moscow Backed Troika on Afghanistan”, *India Narrative*, November 16, 2022, available at: www.indianarrative.com.

36. K. Taneja, “India Still Needs to Work with Russia on Afghanistan”, *op. cit.*

37. These included the then Minister of Petroleum and Natural Gas Dharmendra Pradhan, the Head of Indian Space Research Organization (ISRO) and four chief ministers of Indian states, led by Minister of Trade and Commerce Piyush Goyal.

38. Translation of Prime Minister’s speech in Plenary Session of 5th Eastern Economic Forum (September 5, 2019), available at: www.mea.gov.in.

39. *Ibid.*

Four years after Modi's eloquent speech, an Indo-Pacific partnership between India and Russia remains far-fetched. Moscow has remained suspicious of the idea, lumping together the US approach to the region with those of other regional actors. Russian officials' slashing attacks against the concept of Indo-Pacific and persistent misreading of India's peculiar attitude toward the region have caused occasional controversies in the relationship. In late 2020, for instance, Sergey Lavrov's insensitive remarks about the Western attempts to engage India in "anti-China games" led to a backlash from the Indian government, which, in response, reminded Moscow about the independent course of its foreign policy.⁴⁰

Even if the lack of geopolitical alignment is put aside, the specifics of bilateral cooperation indicate a spotty performance in joint regional programs. Hardly any initiative announced at the 2019 EEF in Vladivostok, in the economic sphere in particular, has been realized. The \$1 billion credit line has still not been implemented and has not been mentioned in bilateral documents since the summit in New Delhi in December 2021. While both countries are publicly tight-lipped about the matter, officials have privately shifted the blame to each other's bureaucracy. It is difficult to expect a surge of Indian investments in the Russian Far East (RFE) in the current political climate. As of 2023, cumulative Indian investments in the RFE stood at just \$16 million⁴¹ and are unlikely to increase significantly in the foreseeable future.

Another grand initiative that has been dragging on since 2019 is the Vladivostok-Chennai maritime corridor. Although the Indian government's feasibility study of the project is at "an advanced stage," and both sides occasionally express hope that the launch of this sea link "will provide a fillip to bilateral trade",⁴² it has not yet been fully operationalized. The connectivity between the two ports already exists and is dominated by non-containerized freight traffic. Trade operations are mostly one-sided, with Russia's exports (mainly of coal and oil) considerably prevailing over Indian exports.⁴³ Given the huge mismatch between India's imports from and exports to Russia and an insignificant share of non-resource trade between the two countries, the feasibility of establishing a full-fledged "maritime corridor" between the Russian Far East and India is questionable.

In late 2021, it seemed that Russia could reimagine its Indian Ocean policy by conducting naval exercises with regional powers and establishing a logistics support facility in Sudan. Russia was also expected to interact more

40. "We Pursue an Independent Foreign Policy: India on Russian Foreign Minister's Comment", *The Times of India*, December 11, 2020, available at: <http://timesofindia.indiatimes.com>.

41. "Indiyskie kompanii priglasili k rasshireniyu investitsionnogo sotrudnichestva na Dalnem Vostoke i v Arktike" [Indian companies are invited to expand investment cooperation in the Far East and Arctic], available at: <https://erdc.ru>.

42. "Partnership for Peace, Progress and Prosperity", India-Russia Joint Statement following the visit of the President of the Russian Federation, December 6, 2021, available at: <http://en.kremlin.ru>.

43. For more details, see the section on trade and economic ties.

with India at the Indian Ocean Rim Association (IORA) as, relying on New Delhi's support, it was granted the status of dialogue partner.⁴⁴ Putin's speech at the UNSC high-level debate on maritime security chaired by Prime Minister Modi, in which he underlined an interest in "building productive cooperation"⁴⁵ with IORA and the Indian Ocean Commission, was further seen as a case for Russia's outreach to the region. These, however, appeared to be symbolic steps as the Indian Ocean has not figured prominently in the bilateral exchanges since then.

Military diplomacy between Moscow and New Delhi has shown signs of deterioration since February 2022. India has engaged in limited joint military drills with Russia. In September 2022, the Indian military contingent participated in the Russia-led multilateral "Exercise Vostok – 2022" but limited its presence to a strategic command exercise⁴⁶ in the training grounds of the Russian Eastern Military District while refraining from joining the maritime component – the drills in the Sea of Okhotsk and the Sea of Japan, which provoked protests from Tokyo.⁴⁷ Russia and India did not hold any bilateral military exercises in 2022. The annual inter-services drills "Indra-2022" were supposed to take place in Kaliningrad (Russia) but were rescheduled for 2023⁴⁸ and then deferred again. The only bilateral exercise was conducted in November 2023 between the two navies in the Bay of Bengal but was conspicuously underreported by Indian officialdom.

44. D. Roy Chaudhury, "Russia Joins IORA as Dialogue Partner after India's Backing", *The Economic Times*, November 22, 2021, available at: <https://economictimes.indiatimes.com>.

45. UN Security Council high-level debate on maritime security, August 9, 2021, available at: <http://en.kremlin.ru>.

46. More about Vostok 2022 strategic command post exercise, available at: <https://eng.mil.ru>.

47. A. Bhaumik, "India to Join Russia's Vostok 2022 Wargames, but Stay Away from Naval Drill to Avoid Hurting Japan's Sensitivity", *Deccan Herald*, August 30, 2022, available at: www.deccanherald.com.

48. "India-Russia Defense Cooperation", Embassy of India, Moscow, available at: <https://indianembassy-moscow.gov.in>.

Challenges for further bilateral engagement

Cooperation between the two countries in various sectors, from defense to trade and space, has long been beset by challenges. These include a modest trade turnover, difficulties in the Russian space program, India's defense diversification efforts, and sanctions, particularly CAATSA,⁴⁹ against different Russian industries. While there have been some engagements and new deals, the overall trend has been a lack of progress.

Mired down in issues: the changing patterns of defense partnership

Military-technical cooperation has been the bedrock of relations between Russia and India since the Cold War. Russia has held a predominant position in the Indian defense market and, to a large extent, tied India into supplies from Russian defense manufacturers. At the same time, India's significance as the major client of Russian arms should not be underestimated; defense cooperation between Moscow and New Delhi has been rather a case of interdependency. According to SIPRI data, in the period 2018–2022, India accounted for 31% of total defense exports from Russia, surpassing other destinations like China (23%) and Egypt (9.3%), although over the last ten years, Russian supplies to India have decreased by 37%.⁵⁰

The latest trends vividly indicate that India has been shifting away from Russian imports. There have been no major defense deals between India and Russia in the last 2-3 years, while some of the previously reached agreements failed to fructify. For instance, in May 2022, India reportedly refused the acquisition of Russian Ka-31 helicopters.⁵¹ Other big contracts have gone ahead, even though they have hit a snag and delivery dates have been postponed. The Russian United Shipbuilding Corporation (OSK) managed to sustain the construction of two Project 11356 class frigates and even came up with an alternate option for the gas turbine engine previously manufactured in Ukraine and needed for this type of vessel.⁵² Uncertainty surrounds the

49. The Countering America's Adversaries Through Sanctions Act (CAATSA) is a United States law that was enacted in 2017 and imposed sanctions against Iran, North Korea, and Russia.

50. SIPRI compares the data of arms transfers from 2013 to 2017 and from 2018 to 2022. See P. D. Wezeman, J. Gadon, and S.T. Wezeman, "Trends in Arms Transfer", SIPRI Fact Sheet, March 2023, available at: www.sipri.org.

51. V. Raghuvanshi, "India Halts Ka-31 Helicopter Deal with Russia", *Defense News*, May 16, 2022, available at: www.defensenews.com.

52. M. Pubby, "No Longer Need Ukraine for Marine Engines, Says Russia", *The Economic Times*, August 16, 2022, available at: <https://economictimes.indiatimes.com>.

delivery of the S-400 “Triumpf” missile defense systems; while many in the Indian media have alleged that delivery has not been taking place, Russian officials from the defense industry have rejected such reports, although admitting that payment has been an issue for the defense deals with India.⁵³

The war in Ukraine emerged as an opportunity for India to accelerate the diversification process to get rid of dependency on Russia. The service maintenance of Soviet/Russian-origin defense systems has long been an irritant in the bilateral ties. Disruptions in military supplies since the start of the conflict in Ukraine have emerged as a potential reason for India to turn to other partners. Since February 2022, several Indian practitioners and observers have highlighted concerns over Moscow’s ability to produce armaments. The Chief of Army Staff, General Manoj Pande, pointed out that, based on the direct fallout from the Russia-Ukraine conflict and the Covid pandemic, India realized that it “needs to be self-reliant” and to “have more robust and secure supply chains...”⁵⁴ The former Chief of Naval Staff Arun Prakash questioned “Russia’s continued reliability as a supplier of defense equipment and spare parts”. He pointed out that, first, Moscow’s “growing friendship and dependence on Beijing will fetter [its] freedom of action”, and, second, Russia’s military-industrial complex, “burdened by the war and hobbled by US sanctions, is no longer in a position to support [Indian] armed forces”.⁵⁵

Russian experts also do not rule out the bilateral defense ties suffering a sticky patch in the coming years. First, Russia has been losing ground to the US and other competitors in the development of the most advanced military systems. Secondly, supplies to the frontline in Ukraine, rather than the export of equipment abroad, are now primary for the Russian defense sector. Thirdly, naval cooperation is at a low ebb as Russia has little to offer to the Indian navy, not producing any viable alternatives to aerial and maritime drones or maritime reconnaissance aircraft and lacking the necessary technologies for building large surface vessels, including aircraft carriers.⁵⁶

No matter what the outcome of combat actions in Ukraine is, the Russian military-industrial complex will likely be undergoing an unprecedented transformation, with internal needs prevailing over external markets. Russia may become more reliant on assistance from its foreign partners, such as China, India and Iran, which have developed their own defense capabilities in certain areas. Facing sanctions and the shortage of cutting-edge technological systems, Russia was even forced to reimport its

53. K. Kondratieva, “As the Ukraine War Grinds on, Russia, India Seek Ways to Keep Defense Trade Afloat”, *The Hindu*, April 10, 2023, available at: www.thehindu.com.

54. A. (Vasudeva) Kalyankar and D. Schulz, “Continental Drift? India-Russia Ties After One Year of War in Ukraine”, Stimson Center, March 9, 2023, available at: www.stimson.org.

55. A. Prakash, “Three Years After Galwan, Defending Against Chinese Aggression”, *The Indian Express*, June 16, 2023, available at: <https://indianexpress.com>.

56. A. Kupriyanov, “Vazhnyy shag po doroge v beskonechnost” [An important step on the road to infinity], Russian International Affairs Council, July 3, 2023, available at: <https://russiancouncil.ru>.

own defense production, reportedly repurchasing some components, such as optical devices for tanks and missiles from Myanmar and India, to upgrade its older weapons.⁵⁷

Even if India were to emerge as a source of technologies and equipment for Russian military needs, it is not clear to what extent it would support Russia militarily. Partial re-export of Russian systems and technologies may be feasible for maintaining India's neutral position, but India would hardly violate the export control regimes and sanctions introduced against the Russian military industry. Given the variety of different constraints, such as the threat of secondary sanctions against India, payment issues, and Russia's reorientation to producing arms for its own military, defense exports from Russia to India are expected to decline further, while new deals are unlikely to be signed. In conjunction with divergent geopolitical views, mainly the role of China in Asia and the future world order, this trend will challenge the endurance of military ties and could hamper attempts to rejuvenate the relationship.

Trade and economic ties: progress with a caveat

Before 2022, it was almost impossible to imagine that the two countries could achieve the target of \$30bn trade turnover by 2025, as slated since 2015. For a long time, bilateral trade fluctuated around \$10–13bn, with little to no prospect of growing. However, the Indo-Russian trade turnover saw a tremendous rise, amounting to \$49.4bn, in the financial year 2022–2023.⁵⁸ It may be even bigger because of shady supplies of Russian oil to India and unofficial exports of sanctioned goods from India to Russia going through third countries, which are not reflected in trade statistics. The spike in trade numbers was largely due to India's increased imports of crude oil, primarily. In less than a year, Russia emerged as a major supplier of oil, with its share of Indian imports at over 25% by the end of 2022.⁵⁹ India has also augmented its imports of coal, fertilizers, and diamonds from Russia (see Table 1). The structure of bilateral trade is dominated by commodities, and the oil trade accounts for around 79% of the total.

57. Y. Seki and S. Fujii, "Russia 'Buying Back' Arms Parts Exported to Myanmar and India", *Nikkei*, June 5, 2023, available at: <https://asia.nikkei.com>.

58. Export Import Data Bank, Department of Commerce, Ministry of Commerce and Industry, Government of India, available at: <https://tradestat.commerce.gov.in>. The financial year in India is from April 1 to March 31.

59. "Russia's Share in Indian Oil Imports Surpasses 25%", TASS, February 13, 2023, available at: <https://tass.com>.

**Table 1. India's exports to and imports from Russia
(in USD billion)**

Commodity	Export		Commodity	Import	
	FY2021-2022	FY2022-2023		FY2021-2022	FY2022-2023
Pharmaceutical products	0.4	0.4	Crude and petroleum oils	2.5	31.0
Machinery	0.3	0.3	Coal	1.6	4.8
Organic chemicals	0.2	0.3	Other petroleum oils	1.1	2.9
Iron and steel	0.2	0.2	Fertilisers	0.5	2.5
Inorganic chemicals	0.03	0.1	Diamonds	0.8	1.2

Source: Export Import Data Bank, Department of Commerce, Ministry of Commerce and Industry, Government of India.

The record trade volumes of 2022–2023 may well be rising further. Data for the two quarters of the financial year 2023–2024 (April–September 2023) indicates that India's imports from Russia rose by about 67% to \$30,42bn as compared to the same period in 2022, with the share of Russia's oil imports reaching over 40%.⁶⁰ The problem, however, which is acknowledged by both sides, is a substantial trade imbalance; India's exports to Russia in 2022–2023 continued to fluctuate around \$3bn. There are no goods or commodities that India could supply to Russia at the same scale as Russian energy resources.

Indian businesses have not rushed into the Russian market to replace Western companies. The ones that had previously worked with Russia largely continued business as usual, but some companies, such as Tata Steel and Infosys, joined the exodus from Russia in 2022. Moreover, top Indian officials and businesspeople have been rather reluctant to visit the largest economic forums in Russia. If in previous years, such events as the SPIEF (Saint-Petersburg International Economic Forum) and EEF saw the participation of substantial Indian delegations led by the Prime Minister or the Minister of External Affairs, since the invasion of Ukraine, India has kept a low profile at these events.

Currently, it is Russia that is seeking to ramp up business-to-business ties and woo Indian companies to invest in its economy or to develop joint projects. Indeed, although the largest Indo-Russian business forum was held

60. "Imports from Russia up 67 per cent to USD 30.42 Billion in April-September", *The Economic Times*, October 13, 2023, available at: <https://economictimes.indiatimes.com>.

in New Delhi in March 2023, it was organized as a Russian initiative under the guise of SPIEF. The plenary session “Technological Alliances in Greater Eurasia” contained a geopolitical hint and invoked a closer bilateral partnership to “break out of the digital monopoly belt and build technology solutions independent of the two competing blocs”.⁶¹ However, Russia’s and India’s paths in the technological sector are gradually parting; the former is becoming more reliant on Chinese support while the latter is fostering closer engagement with the US, EU and other partners.

Another business dialogue between the two countries, which preceded the intergovernmental commission meeting in New Delhi in April 2023 and was led by External Affairs Minister S. Jaishankar and Deputy Prime Minister D. Manturov, addressed trade and investment issues. The main takeaways from the discussion were the revelation of “advanced negotiations on a new Bilateral Investment Treaty” and the expectation of “intensified talks” on the free trade agreement (FTA) between India and the Eurasian Economic Union (EAEU).⁶² It is not clear, though, where these talks are headed. The idea of the India-EAEU FTA has been floated since 2017 and has been much talked about, but the two sides have not even launched official negotiations yet.⁶³ The changing dynamics within the EAEU and the state of the Russian economy may further erode India’s intention to sign the agreement. In sum, the growing trade figures, on the one hand, have allowed officials to paint the relationship in bright colors, reflecting the “upswing”⁶⁴ in economic ties and the potential for new trade cooperation. On the other hand, lop-sided trade emerged as a serious issue to add to the list of other challenges, preventing the two sides from closer engagement.

Unresolved bottlenecks: in search for new financial settlements

The major challenge for the expansion of the India-Russia economic relationship is sanctions that cut off Russian banks from the SWIFT system and blacklisted Russian companies across different sectors, from defense and technologies to energy and civil aviation. Therefore, while partnering with their Russian counterparts, Indian companies have experienced difficulties making payments and have run the risk of violating the export control regimes, which may lead to secondary sanctions on Indian enterprises and individuals.

61. “Russia–India Business Forum Programme Published”, Saint-Petersburg International Economic Forum, available at: <https://forumspb.com>.

62. “Addressing India-Russia Trade Imbalance, Payment Issue Important: External Affairs Minister Jaishankar”, *The Times of India*, April 18, 2023, available at: <https://timesofindia.indiatimes.com>.

63. During his visit to Moscow in December 2023, External Affairs Minister S. Jaishankar stated that India would begin the FTA talks with EAEU in January 2024, but no further information followed.

64. Address by External Affairs Minister Dr S. Jaishankar at the India International Centre, New Delhi, June 28, 2023, available at: www.mea.gov.in.

Since facing the first packages of sanctions in 2014, Moscow has made efforts to de-dollarize its foreign trade. This process had been moving ahead with difficulty, meeting with resistance both from within the Russian economy and from Russia's international partners. The trigger for a gradual shift away from the US dollar was the adoption of the CAATSA (Countering America's Adversaries Through Sanctions Act) legislation in 2017 that was aimed against the Russian military-industrial complex. The threat of secondary sanctions under CAATSA forced an increase in the use of the Russian rouble, which gained momentum after the beginning of India's payments for the S-400 contract. As of 2021,⁶⁵ 53.4% of all payments from India were made in roubles, while 38.3% were in dollars.⁶⁶

As the rouble has suffered boosts and busts since March 2022, determining its real value has been problematic, making transfers in the Russian currency unviable for India. To work around sanctions, the two sides resorted to the rupee settlement that was facilitated by the Reserve Bank of India's decision in July 2022 to allow export/import operations in the Indian currency. Several Russian banks then opened their Vostro accounts in Indian banks, which paved the way for rupee trade between the two countries. But this scheme has resulted in Russia's accumulation of "billions of rupees".⁶⁷ How to use the stalled reserves in rupees, which, according to some estimates, amount to \$39bn, has been a much-discussed topic. Some Russian economists pointed out that "the hung rupees were the direct reason for the fall in the exchange rate" that the Russian currency experienced in July-August 2023, but resolving the issue is "a challenging task" because of India's strict forex control.⁶⁸

There are several possible solutions to the issue. First, India could spur its exports. Moscow's expectation was that, in return for increased oil supplies, India would send more machinery products, as well as spare parts for planes, cars and trains, and electronics. However, India has been hesitant and not willing to violate the sanctions. Second, Russia could invest the rupee reserves in the Indian economy, or the two sides could create joint ventures on Russian territory. Third, the two sides could use alternative currencies such as the Chinese renminbi (RMB) or the UAE's dirham. The latter was used until the Russian MTS bank was blacklisted by the US and UK and deprived of its license in March 2023.⁶⁹ The RMB has been instrumental in some transactions in the energy sector. Indian state and private refiners have reportedly made up to 10% of payments for crude imports in RMB, following

65. The last available data. After March 2022, the Central Bank of Russia stopped publishing the statistics.

66. A. Zakharov and N. Kapoor, "India-Russia Trade Settlement: A Way Forward", Observer Research Foundation, August 8, 2022, available at: www.orfonline.org.

67. "Have Accumulated Billions of Indian Rupees, but Cannot Use Them, Says Russia", *The Hindu Business Line*, May 5, 2023, available at: www.thehindubusinessline.com.

68. Yu. Koshkina, "Zadornov nazval zavishiye rupii odnoy iz prichin padeniya rublya" [Zadornov called frozen rupees one of the reasons for the fall of the rouble], RBC, August 29, 2023, available at: www.rbc.ru.

69. A. England, "UAE Cites 'Sanctions Risks' as it Cancels Licence for Russia's MTS Bank", *The Financial Times*, March 31, 2023, available at: www.ft.com.

the demands of Russian suppliers.⁷⁰ However, the use of the RMB by Indian entities can hardly become a regular feature as it could make Russia-India trade dependent on the Chinese authorities, something New Delhi would likely fend off. Since Russia is a relatively small and unattractive market for Indian businesses, another suggestion is to increase the movement of labor. If Indian workers are allowed to work in Russia with residency rights, as is the case with West Asia, the remittance flows could provide the volume needed for the creation of financial infrastructure between the two countries and potentially help offset the growing trade imbalance.⁷¹

Oil connection: a win-win?

In October 2016, just weeks ahead of the BRICS summit in Goa, two top Russian officials, Igor Sechin, the CEO of Rosneft, Russia's largest oil company, and Alexey Ulyukaev, Minister of Economic Development, while privately discussing privatization plans and joint projects with foreign partners, expressed little faith in India and China as potential investors. "All these Indians are not [what we need], you will get nothing from them", asserted the first. "Neither Chinese, nor Indians... No...There will be no synergy with them", responded the other.⁷²

However, energy cooperation already was an important pillar of Russia-India ties, with investment by several Indian public companies in upstream projects in the Russian Arctic and the Far East. These companies retain their stakes in several oil and gas assets, such as Vankor, Taas Yuryakh and Sakhalin-1. Their cumulative investments equal \$16bn. Moreover, in 2016, Russia made its largest investment in India to acquire Essar Oil (later renamed Nayara Energy) for \$13bn. The company's 20 million-tonne refinery is the second largest in India. After the US and European sanctions hit the Russian energy sector, Nayara Energy emerged as the largest importer of Russia's oil, accounting for 45% of all oil imports from Russia, along with Reliance Industries.⁷³

Despite the price cap and other restrictions against the Russian energy sector, India considerably increased imports of crude oil from Russia. In March 2022, it imported just 68,600 barrels a day from Russia; in May 2023, this figure peaked at 1,96 million bpd.⁷⁴ In 2022-2023, Russia emerged as

70. V. Sharma, "Trade in Indian Rupee with Russia Shows Hiccups in 'De-Dollarisation' Concept", *The Tribune*, July 8, 2023, available at: www.tribuneindia.com.

71. A. Bhandari, "Managing India-Russia Economic Ties under the Shadow of Sanctions", Valdai Discussion Club, April 11, 2023, available at: <https://valdaiclub.com>.

72. "Razgovor Igorya Sechina i Alekseya Ulyukaeva" [The conversation between Igor Sechin and Alexey Ulyukaev], *Kommersant*, September 5, 2017, available at: www.kommersant.ru.

73. S. Choudhary, "Reliance, Nayara Account for 45% of Russian Oil Imports", *The Economic Times*, March 14, 2023, available at: <https://economictimes.indiatimes.com>.

74. "India's Import of Russian Oil Scales New High in May", *The Hindu*, June 4, 2023, available at: www.thehindu.com.

India's largest supplier of crude by volume⁷⁵ and the second in terms of value (Table 2). This suggests that the price of Russian oil for India might be lower than that of other suppliers.

Table 2. The largest suppliers of crude oil to India

Country	Value US\$, billion		
	FY2021-2022	FY2022-2023	FY2023-2024 (Apr-Jan)
Iraq	30.3	33.6	23.4
Russia	2.5	31.0	38.9
Saudi Arabia	22.9	29.1	17.7
UAE	12.3	16.8	6.5
USA	11.3	10.2	4.7

Source: Export Import Data Bank, Department of Commerce, Ministry of Commerce and Industry, Government of India. The data includes the supplies of petroleum oils and oils obtained from bituminous minerals (HS Code 2709).

According to a *New York Times* analysis, the average price per barrel of oil from Russia before the introduction of the price cap was around \$78 but plummeted to \$51 soon after.⁷⁶ The specifics of the deals between Russian and Indian entities are unknown, but there are reports that the price cap may not always be followed by them as they do not rely much on Western shipping and insurance companies and can use either Russian vessels or shadow fleet tankers. However, if Russian crude prices go up and close their gap with Brent, Russia may lose its competitive advantage over other suppliers.⁷⁷

At the moment, India and Russia share interests in keeping the oil connection going forward. For Indian refiners, securing discounted oil imports from Russia enabled reducing the import bill by \$7bn⁷⁸ and even exporting the surplus to Western partners. For Russia – after reorienting oil outflows from Europe to Asia – India (along with China) turned into a key destination, which it cannot afford to lose. While Indian companies have diverse oil sources and can potentially return to increased imports from traditional suppliers, primarily Iraq and Saudi Arabia, Russia is becoming increasingly tied to China and India as recipients of its energy resources. This situation can be used by Indian companies as leverage in negotiations in case the price of Russian crude oil ceases to be attractive.

75. R. Baruah, "Russia Turns India's Biggest Crude Supplier by Volumes", *Mint*, May 15, 2023, available at: www.livemint.com.

76. L. Gamio, L. Abraham, A. Swanson, and A. Travelli, "How India Profits from Its Neutrality in the Ukraine War", *The New York Times*, June 22, 2023, available at: www.nytimes.com.

77. S. Sharma, "Russia's Flagship Crude Tops G7 Price Cap, But Impact on Supplies to India May Be Muted", *The Indian Express*, July 15, 2023, available at: <https://indianexpress.com>.

78. S. Sharma, "Discounted Russian Crude Imports Saved Indian Refiners \$7 billion", *The Indian Express*, July 5, 2023, available at: <https://indianexpress.com>.

Conclusion

The future of Russia-India relations remains uncertain. India does not support Russia's military actions in Ukraine and sticks to a neutral stance for pragmatic reasons. It is not willing to undermine the ties with Russia but remains hesitant about expanding cooperation. On the surface, it may seem that India's neutrality has allowed the strengthening of bilateral ties with Moscow. The trade turnover hit fresh highs with the unprecedented volumes of Indian imports of hydrocarbons from Russia. The political dialogue is devoid of summitry fanfare, but appears quite sustainable, with diplomats and national security advisers maintaining regular contact at both bilateral and multilateral levels.

However, a closer look suggests that India has become more cautious in its interactions with Russia. Obviously, in the current political climate New Delhi would hardly consider serious steps in its Russia policy. Despite the uptick in energy cooperation, the level of economic engagement has been quite modest. An intent to embrace new areas of economic engagement is prevalent on the Russian side, but the current hurdles do not allow Russian businesses to significantly increase their presence on the Indian market.

On top of that, the continuing war and the sanctions against the Russian military-industrial complex cast a shadow on defence cooperation and reinforce India's renewed efforts to shift away from reliance on Moscow. Until the war in Ukraine is over, the Russia-India relationship is likely to stay in a grey zone, with futile political interactions, constant challenges for developing economic ties, and an uncertain future in key areas of cooperation. In this context, maintaining dialogue and hedging bets will likely be more important for both sides than striking new deals.

Annex

Table 3. Political and diplomatic interactions between Russia and India (24 February 2022–March 2024)

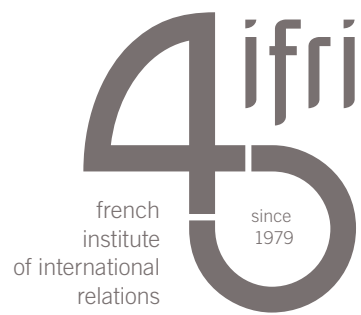
Date	Level of talks	Category	Occasion, format, venue
2022			
24 Feb.	Leadership: Modi-Putin	Urgent	Phone call
2 March	Leadership: Modi-Putin	Urgent	Phone call
7 March	Leadership: Modi-Putin	Urgent	Phone call
31 March-1 Apr.	External Affairs Minister (EAM): Lavrov-Jaishankar Lavrov-Modi	Scheduled	Official visit to New- Delhi
8 July	EAM: Jaishankar-Lavrov	Scheduled	G20 FMM, Bali
28 July	EAM: Jaishankar-Lavrov	Scheduled	SCO FMM, Tashkent
17-18 Aug.	NSA: Doval-Patrushev Doval-Manturov	Ad hoc	Unofficial visit to Moscow
16 Sept.	Leadership: Putin-Modi	Scheduled	SCO summit, Samarkand
25 Sept.	EAM: Lavrov-Jaishankar	Scheduled	UNGA session, NY
26 Oct.	DM: Singh-Shoigu	Ad hoc	Phone call
7-8 Nov.	EAM: Jaishankar-Lavrov IRIGC-TEC*: Jaishankar- Manturov	Scheduled	Official visit, IRIGC-TEC meeting, Moscow
16 Dec.	Leadership: Modi-Putin	Ad hoc	Phone call
2023			
7-9 Feb.	NSA: Doval-Patrushev Doval-Putin	Scheduled	Official visit, Moscow Security dialogue on Afghanistan
1-3 March	EAM: Lavrov-Jaishankar	Scheduled	G20 FMM, New Delhi
6 March	IRIGC-TEC: Jaishankar- Manturov	Ad hoc	Virtual
29-30 March	NSA: Patrushev-Doval Patrushev-Modi	Scheduled	Working visit, SCO NSA meeting, New Delhi
17 April	NSA: Manturov-Doval		
18 April	IRIGC-TEC / Ministerial: Manturov-Jaishankar Manturov-Goyal Manturov-Sitharaman	Scheduled	Working visit, IRIGC-TEC meeting, New Delhi
28 April	DM: Shoigu-Singh	Scheduled	SCO DMM, New Delhi
4-5 May	EAM: Lavrov-Jaishankar	Scheduled	SCO FMM, Goa
1 June	EAM: Jaishankar-Lavrov	Scheduled	BRICS FMM, Cape Town
28 June	NSA: Doval-Patrushev	Urgent	Phone call
30 June	Leadership: Modi-Putin	Urgent	Phone call
13 July	EAM: Lavrov-Jaishankar	Ad hoc	ASEAN FMM, Jakarta

23 Aug.	EAM: Lavrov-Jaishankar	Ad hoc	BRICS Summit, Johannesburg
28 Aug.	Leadership: Putin-Modi	Ad hoc	Phone call
6 Sept.	EAM: Jaishankar-Lavrov	Ad hoc	East Asia Summit, Jakarta
13 Oct.	Parliamentary: Matvienko-Dhankar	Scheduled	P20 summit, New Delhi
26 Dec.	IRIGC-TEC: Jaishankar- Manturov	Scheduled	Official visit, Moscow
27 Dec.	EAM: Jaishankar-Lavrov Jaishankar-Putin		
2024			
15 Jan.	Leadership: Modi-Putin	Ad hoc	Phone call
20 March	Leadership: Modi-Putin	Scheduled	Phone call

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