

**MULTILATERALISM AND THE DYNAMICS OF
ECONOMIC RELATION BETWEEN INDIA AND
RUSSIA, 2000-2018**

Thesis submitted to Jawaharlal Nehru University for award of the degree of

DOCTOR OF PHILOSOPHY

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DECLARATION

I declare that the thesis entitled “**Multilateralism and the Dynamics of Economic Relations between Russia and India, 2000-2018**” submitted by me in fulfilment of the requirements for the award of the degree of **Doctor of Philosophy** of Jawaharlal Nehru University is my own work. The thesis has not been submitted for any other degree of this University or any other university.

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Dedicated to the Four Pillars of my Life Dadi,

Maa, Papa & Varun.

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LIST OF ABBREVIATIONS

ADB	Asian Development Bank
ARF	ASEAN Regional Forum
ASEAN	Association of South-East Asian Nations
BOP	Balance of Payment
BRI	Belt and Road Initiative
BRICS	Brazil-Russia-India-China-China-South Africa
CAR	Central Asian Republic
CECA	Comprehensive Economic Cooperation Agreement
CEPA	Comprehensive Economic Partnership Agreements
CIS	Commonwealth of Independent States
CPEC	China-Pakistan Economic Corridor
CPSU	Communist Party of Soviet Union
CRA	Contingent Reserve Arrangement
DGFT	Directorate General of Foreign Trade
DIPP	Department of Industrial Policy and Promotion
EDI	Electronic Data Interchange
EEC	European Economic Community
EEU	Eurasian Economic Union
EU	European Union
FFFAI	Federation of Freight Forwarders Associations in India
FYP	Five Year Plan
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
G-8	Group of 8 Industrialised Countries

G-20	Group of 20 major Economies
GST	Goods and Services Tax
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GCC	Gulf cooperation council
IAEA	International Atomic Energy Association
ICC	International Criminal Court
ICT	Information and Communication Technology
IRIGC-TEC	Inter-Governmental Commission on Trade, Fiscal, Scientific, Technological, and Cultural Cooperation
ILO	International Labour Organisation
IMO	International Maritime Organisation
IMF	International Monetary Fund
IPR	Industrial Policy Resolution
INSTC	International North-South Transport Corridor
IO	International Organisation
ISA	International Solar Alliance
ISAF	International Security Assistance Force
IT	Information Technology
ITO	International Trade Organisation
KM	Kilometre
KG	Kilograms
LPG	Liberalisation, Privatisation, and Globalisation
MBPD	Million Barrels Per Day
MSME	Micro, Small and Medium Enterprises

MFN	Most Favoured Nation
MNCs	Multinational Corporations
NASC	National Agricultural Science Complex
NIIF	National Infrastructure Investment Fund
NSA	National Security Advisors
NDB	New Development Bank
NEP	New Economic Policy
NAFTA	North Atlantic Free Trade Agreement
NAM	Non-aligned Movement
NATO	North Atlantic Treaty Organisation
OBOR	One Belt, One Road
PPP	Purchasing Power Parity
RMG	Ready-made garments
RATS	Regional Anti-terrorism Structure
RCEP	Regional Comprehensive Economic partnership
RBI	Reserve Bank of India
R&D	Research and Development
RSFSR	Russian Socialist Federative Soviet Republic
ROO	Rules of Origin
RIC	Russia-India-China
RDIF	Russia Direct Investment Fund
SPS	Sanitary and Phytosanitary Measures
SAARC	South Asian Association for Regional Cooperation
STI	Science, Technology, and Innovation
SCO	Shanghai Cooperation Organisation
SDI	Spatial Development Initiatives

SEZ	Special Economic Zones
SWIFT	Society for Worldwide Interbank Financial Telecommunication
TBT	Technical Barriers to Trade
TRIPS	Trade-Related Aspects of Intellectual Property Rights
UK	United Kingdom
UN	United Nations
UNSC	United Nations Security Council
USA	United States of America
USSR	United Socialist Soviet Republic
WHA	World Health Assembly
WHO	World Health Organisation
WTO	World Trade Organisation
WWI	World War I
WWII	World War II

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Chapter-1
Introduction: Conceptual Framework and Review of
Literature

1.1 Background

International trade is critical for economic growth since it produces employment, increases profits and encourages the much needed changes that economy needs. International commerce, according to economic theory, increases productivity by efficiently allocating the resources between the resource rich and resource scarce countries. Therefore, in this respect, it is analogous to a modern day invention that augments the economic potential of all countries that participate in trade. Numerous governments have opened their markets to foreign commerce over the years, linking various facets of their economies to their trading partners. This closer economic integration has been mutually beneficial for trade partners as well. It enables producers in each country to benefit from the specialisation of labour and economies of scale¹ associated with large-scale manufacturing.

Trade reduces the actual resource costs of global output and is synonymous with maximising the real benefit of production by productive resource allocation. It accomplishes this by allowing and promoting the manufacturing class in the trading nation to specialise in the economic pursuits that maximises the utilisation of their nation's human and physical resources.

In today's global trade scenario, no nation will prosper by isolating itself from the rest of the world. Trade restrictions tend to stifle the development process. Numerous surveys on the benefits of trade that were undertaken in the past have shown the importance of free exchange in furthering the growth and development. In most surveys, it was also concluded that countries that are inaccessible to trade have historically lagged in terms of economic development compared to the countries that are more accessible to trade. Further, the integration of the global economy has proven to be a source of growth for several developed nations. It was concluded that the majority of rapidly developing economies still need a vibrant exchange market to move ahead on the path of development.

¹ "Economies of Scale" refer to the advantages that occurred in the costs of the company because of the efficiency created in the production of goods. It is accomplished by the company when it increases the scale of its production level i.e. goods produced is large in number and therefore, it brings the cost advantage to the company. And it happens because the costs is extended over the products.

International trade's significance has been identified by both emerging and developed economies. Foreign trade plays a vital role as a mediator in increasing the integration of one country with another. Furthermore, it has innumerable benefits for global growth and development. Therefore, some of the major international organisations were created for furthering the purpose like the United Nations (UN)², World Trade Organisation (WTO)³, World Bank⁴ and the International Monetary Fund (IMF)⁵. These organisations were established with the set objective that they will have to assist the emerging and least developed economies in their journey to achieve higher levels of economic growth. All

² The UN is an intergovernmental organisation aimed at maintaining the international security and peace, developing good relations between nations, promoting international cooperation and harmonisation of the activities of nations. It came into existence in 1945 by succeeding the League of Nations which was created post World War I to promote peace between the nations. The occurrence of World War II showed the inefficiency of "League of Nation" in stopping wars and, therefore, the need for a more reliable organisation was felt.

The UN was set up in an effort to prevent future conflicts. Its primary objectives are to "maintain international peace and security, to defend human rights, to provide humanitarian assistance, to promote sustainable development, and to defend international law". In its early decades, the Cold War between the USSR and US and their allies compounded the organisation's task to protect international peace. The organisation is headquartered in New York and currently has 193 members. It has six main organs—"United Nation Security Council (UNSC), the General Assembly, the Trusteeship Council, the Economic and Social Council (ECOSOC), the UN Secretariat, and the International Court of Justice (ICJ)".

³ It is a multilateral organisation that monitors and supports international trade between the economies of the world. The organisation is used by governments to create, update, and implement rules of international trade. During the Uruguay round in 1986, members concluded that GATT was unable to adapt to the contemporary globalised world order and they started discussion on all the major areas for review that were part of GATT at the time of its inception. As a result, a new body, namely, WTO was born after Uruguay round of GATT (1986-1994) negotiations in 1995.

The WTO was established with the purpose of ensuring free, smooth, and predictable global trade. It allows for the creation of rules for international trade enabling each member country to benefit from its comparative advantage. The aim of WTO is to create economic stability and peace based on consensus amongst its member nations by ensuring a smooth and fair multilateral trading system. There are currently over 160 members who have ratified various WTO agreements and accompanying principles.

It enhances global trade in goods, intellectual property, and services by developing a structure for dialogue and cooperation for the trade agreements, which seeks to eliminate or reduce tariffs, trade quotas, etc. It is headquartered in Geneva, Switzerland.

⁴ The World Bank along with the International Monetary Fund was established after the 1944 Bretton Woods Conference (IMF). It is an international agency that grant loans to different governments, especially governments of the low and middle income countries for funding various development projects. Among the five institutions of WB, IBRD and IDA are the ones that give grants to various low income countries. The most important stated goal of WB is to reduce poverty and increase prosperity everywhere.

⁵ After the great depression of the 1930s, countries were forced to find a solution for the competitive currency devaluation which was one of the reasons behind it. Consequently, 44 nations met at New Hampshire in July 1944 to arrive at a future framework and thus IMF was created. "The IMF's principal goal is to maintain the international monetary system's stability. IMF uses an authorised system known as surveillance to keep track of the policies of the member countries as well as their regional, national, and global financial and economic events in order to ensure stability and avert crises in the international monetary system. It also offers member countries advice and encourages policies that enhance economic stability, minimise vulnerability to financial and economic crises, and improve the standard of living of the population. It also conducts periodic evaluations in this regard. IMF's primary responsibility is to provide loans to member nations that are undergoing or may for some time face balance of payments crisis. IMF also assists by providing the technical support and training to member nations in order to help them improve their economic establishments and human skills".

these economies consider trade as the major lynchpin for all the ends they perceive to achieve.

Further, globalisation has altered many people's lives by increasing not just their quality of living but also their literacy levels, health, and life expectancy. Owing to the vast amount of research carried out in the field, it emerged that globalisation has both its benefits and drawbacks. But it seems that the gains of globalisation outweighed its detriments and thus it proceeded rapidly with the turn of the century. However, the effectiveness of globalisation is highly dependent on the ability of various multilateral institutions created to guarantee the smooth operation of the international economic and trade mechanism.

Therefore, under the framework of effective working multilateral organisations, the benefit of globalisation which economies will realise in their working can reach its zenith. Thus, in this sense, comprehending multilateralism in general and its significance for foreign linkages, in particular, has become critical in this globalised environment. As described by Robert Keohane in his 1990 article *Multilateralism: A Study Agenda*, multilateralism is the method of integrating national policies within a coalition of three or more governments, either through an ad hoc arrangement or through an organisation, in order to unite dominant countries, deter unilateralism, and provide minor powers with a platform and leverage they would not have otherwise.

Furthermore, under the setting of these multilateral institutions, the relations between India and Russia and the importance of these institutions in enhancing their relations are examined. Indo-Russian trade ties plays a significant role in the varied and dynamic economic relations between the two countries. A significant flaw in their ties is the comparatively low degree of trade and investment. Strategic bilateral partnership cannot be maintained in the modern age between these two major powers without a substantial economic component. Economic relations between India and Russia seem to be far from optimal.

Total trade turnover in terms of Gross Domestic Product (GDP) between the two countries rose to 11.45 percent in 1990-91 from 0.12 percent in 1920-21, according to statistics available from the Centre for Monitoring Indian Economy. Between 1991 and 1999, trade between India and Russia decreased significantly. Bilateral exchange in 1999 totalled just about \$1.5 billion, accounting for 1.3 percent of imports and 2.5 percent of exports. In all

the years from 1990 to 2000, trade balance of India with Russia was positive. Whereas, after 2000, the trade balance favoured Russia. A target of \$30 billion was set in December 2014, to be achieved by 2025. The target was set by the leaders of both the countries and concerned bilateral trade and investment. But the target was achieved by both prior to the commitment date. So, now for both bilateral trade and investment, a target of \$50 billion has been set, to be achieved by 2025.

As a result of this, both countries increased their participation in multilateral forums.

Russia always supported multipolarity in the present world order and advocated for the establishment of groupings such as RIC⁶ (Russia-India-China), BRICS⁷ (Brazil-Russia-India-China-China-South Africa), and the SCO⁸ (Shanghai Cooperation Organisation). Both the countries mutually decided that they needed to create a platform distinguished from the blocs of Western countries, where these two nations i.e. Russia and India, along with other like-minded countries, could address problems without being influenced by the West. In spite of the low trade volume, there is an optimism that the India-Russia relationship and strategic alliance can reach new heights and will expand in the coming years owing to their membership and active participation in various multilateral fora. Additionally, on the margins of these multilateral meetings, heads of state of both the

⁶ These three nations together constituted this strategic group to counterbalance the alliances of the western countries.

⁷ The acronym “BRIC” was coined by Jim O’Neill in 2001 in his work “*Building Better Global Economic BRICs*,” during his chairmanship of Goldman Sachs, an asset management company. He coined the term to represent the set of the economies, which along with the United States of America (USA), will be the largest economies of the 21st century and are going to attract most of the investment.

With the objective of taking this vision forward, leaders of the four countries, India, Brazil, China, and Russia met in 2006 in St. Petersburg, Russia, after the G8 summit to form a group. Finally, in September 2006, foreign ministers of these four countries met after the conclusion of the General Debates of the United Nations in New York and formalised the group. In 2009, following this meeting, in Yekaterinburg in Russia, the first summit of BRIC happened. BRIC was renamed BRICS in 2010 when South Africa formally joined the grouping.

⁸ SCO owes its origin from its predecessor Shanghai Five which was created in April 1996 in Shanghai (China) by all the member of SCO except Uzbekistan. It was created to deepen military trust between the nations in order to reduce military forces in the regions along the borders. In the starting phase, a term was introduced to represent the basic tenet of SCO on which it stands and is called the “Shanghai Spirit” highlighting “mutual trust, mutual benefit, equality, consultation, respect for cultural diversity and pursuit of common development.” Subsequently, annual summits occurred in different countries and finally in 2001, when the annual summit again returned to Shanghai, all the five nations decided to admit Uzbekistan in the organisation and therefore transformed the organisation to Shanghai Six. After all the six states signed the *Declaration of SCO Charter* in June 2001, the organisation came to be known as the Shanghai Cooperation Organisation (SCO).

It started working in 2003 to keep the area peaceful, to guarantee its long-term stability, and to enhance development. Currently, it has 8 members.

nations can meet and address critical problems that will aid them in improving their bilateral ties.

Apart from these groupings, there are other platforms dedicated to reviewing economic and commercial cooperation between the two, such as the “Inter-Governmental Commission on Trade, Fiscal, Scientific, Technological, and Cultural Cooperation (IRIGC-TEC)”. IRIGC-TEC is one of the most important Government to Government (G2G) mechanism for analysing the cooperation of the two countries on the economic front. It has different working groups dealing with different areas on a one-to-one basis. These working groups supervise the analysis of different sectors, including investment, economic and trade cooperation, industrial cooperation, modernisation, etc. There are two other leading platforms for promoting bilateral business-to-business ties between India and Russia, and they are-

1. CEO’s Council.
2. Indo-Russian forum on trade and investment which is co-chaired by Minister of Commerce and Industry of India and Minister of Economic Development of Russia.

The estimated amount of Indo-Russian exchange is about \$10 billion. Both countries have set a goal in the sphere of the bilateral trade of \$30 billion to be achieved by 2025, and \$15 billion from \$10 billion in joint investment. But the target was achieved by both the nation prior to the commitment date. So, now for both the bilateral trade and investment, a target of \$50 billion is set to be achieved by 2025.

As a result, the role of multilateral forums in achieving the goal as mentioned above became critical.

1.2 Perspectives of Different Economists on International Trade

In the past, economists have established various perspectives, assumptions, and hypotheses on foreign trade, many of which attempted to understand the reasons and causes of international trade. From mercantilism to the modern day globalisation, economic ideas have advanced significantly. Between the 16th and 18th centuries, mercantilists ideas flourished in Europe, asserting that in order for a state to be prosperous and strong, it is essential to have a supply of precious metals such as gold and silver. Therefore,

accumulation of bullion that includes silver, gold and other precious metals became the priority for the nations during those centuries, and also it was established that the cumulation of bullion was directly dependant on foreign exchange. As a result, mercantilists called for maximising exports and minimising imports. A famous mercantilist of the time, Sir William Petty, postulated “the great and ultimate result of the trade is not general riches but especially an abundance of silver, gold, and jewels... to raise such, and the following of such trade, which stores the nation with gold, silver, and jewels, etc. is lucrative before others”.

Mercantilists espoused the importance of maintaining a surplus in the balance of trade. According to Thomas Mun, a British mercantilist, “the ordinary means of increasing our wealth and treasure is by international exchange, where we must still adhere to this rule: offer more to strangers annually than we eat of theirs in worth.” Both mercantilist theorists favoured overseas exchange, but only for the purpose of obtaining as much bullion as possible from different countries while maintaining the trade balance in favour of their own nation. The primary motto of this trade theory was “More gold, greater riches, and greater strength.” The fundamental bedrock on which this theory is based, in economic terms, is to have a higher value of exports than the value of imports. This will measure the trade surplus⁹ of the country and this trade surplus determines which nation is more powerful.

Following the mercantilists, classical economics viewed foreign exchange as a means of riches and stability for nations. Classical economists such as Adam Smith and David Ricardo formed a distinct philosophy of foreign exchange, arguing for the benefits and justifications of trade. Adam Smith denied the mercantilist’s perception of exchange as a zero-sum game. It is a situation where one nation gains on account of the losses of the other nation. Therefore, there is a zero-sum i.e. nothing positive is coming out of the exchange process. Whereas, in the case of foreign trade, Smith argued that it is a positive-sum game where all the nations engaged in trade win. Therefore, trade benefits all the parties that are engaged in it. Along with this, Smith also outlined and emphasised on the benefits derived from the international division of labour, stating that “if a foreign government can provide a product cheaper than we can manufacture it, we can purchase it from them with some of our own country’s produce working in a way that gives us an edge...”. Adam Smith also

⁹ It is defined as when the country’s exports are greater than the country’s imports.

introduced the total cost advantage principle, stating that exchange benefits all because of the differences in commodity distribution between nations.

Another classical economist, David Ricardo, came out with the theory of comparative cost advantage. His theory was built upon Smith's absolute advantage theory, wherein two nations will engage in trade with each other when one nation can produce one good with fewer resources as compared to the other. However, the situation of no-trade will arise when one nation can produce both the goods with fewer resources as compared to the other. Given this backdrop, Ricardo's comparative advantage theory was developed. In this theory, trade is not based on resource usage, but rather it is based upon opportunity costs¹⁰. Furthermore, it is always the case that if one nation has opportunity cost in one good, then another nation will have an opportunity cost in the other good. Also, in theory given by Ricardo, he highlighted the gains that a nation can derive from the specialisation and division of labour, postulating that "if Portugal could produce the cloth with the labour of 90 men, she could import it from a country where it required the labour of 100 men, but it would be more advantageous for her to employ her capital in the production of wine, for which she could use her capital."

Classical economics favoured a liberal trading system devoid of government trade restrictions in the shape of tariffs¹¹ and quotas¹². Prof Habler asserts that "substantial free exchange with insignificant corrections exceptions is the optimal approach in terms of economic growth." According to classical economics, free trade results in the availability of a diverse range of items from overseas, as well as capital commodities, technologies and creativity. It also expands the economy, enhances productivity, and results in greater specialisation of labour, all of which decreases costs, enhances foreign competitiveness, and boosts efficiency.

Following the classical school of thought emerged the Keynesian revolution. Keynes believed that government intervention is important in order to bring correction in the business cycle and economy during times of crisis. Keynes introduced the concept of

¹⁰ It is the next best alternative cost. That is, it measures what one person gives up in order to consume the good which he or she prefers.

¹¹ It is a tax on imports.

¹² It is a trade restriction where a nation imposes a limit on the quantity of imports for a specified period of time. It is placed to discourage the imports and encourage domestic produce.

“effective demand” where government, at times of depression or recession, creates demand which moves the economy out of the cycle of depression or recession.

Richard Cobden argued that foreign exchange could bring world peace by displacing competitive ties between states with business relationships between individuals. Several economists believe that trade promotes economic dynamism and competition within an economy, which inevitably increases industrial output and productivity.

Some contemporary economists, such as Ragner Nurkse, Kindle Berger, and Prebisch, have examined different facets of foreign exchange in the world’s poorest countries and concluded that free trade often results in the abuse of developing countries by developed countries. Instead of promoting foreign trade equity, Myrdal asserts, “developing countries face significant backwash effects” and are “constantly in danger of losing even what they have, especially small-scale industries and handicrafts, if they do not protect them”. Similarly, others conclude that foreign exchange results in international inequalities and the views of classical economists on free trade are irrelevant in the current economic environment.

The modern theories on trade emerged during the late 1970s and the 1980s. These theories were developed by researchers such as Lancaster (1980), Krugman (1979), and Helpman (1981). The theories sought to address for the inability of conventional theories to account for some of the most critical evidence about post-war trade records. Paul Krugman claimed that trade exchange results in increasing returns on investment and maximises production from available capital. He also said that international economics had neglected returns to scale¹³. Trade did not represent an overlay of increasing returns specialisation on comparative advantage; however, the prevailing view was that the returns merely altered the trend of comparative advantage.

Later in 1980s and 90s, many economists came to believe that foreign exchange should be liberalised, not limited. Krueger noted that an open international trade results in rapid economic growth and prosperity for emerging and the least developed countries. Moreover, majority of analysts agreed that foreign exchange plays a critical function in the world

¹³ It refers to the change in output that occurs because of the change in inputs. Constant returns to scale is when input change equals the output change; increasing returns to scale is when change in input is smaller than change in output; and finally, decreasing returns to scale is when change in input is greater than the change in output.

economy since no country is self-sufficient and, therefore should be encouraged by taking into account the economic situation and requirements of particular countries.

1.3 Unilateralism, Bilateralism, and Multilateralism

In International Relations (IR), unilateralism, bilateralism, and multilateralism are three notions that are intertwined and are sometimes difficult to grasp. The three terms are differentiated by many political theorists mainly on two grounds - on quantity and on quality. In terms of quantity, unilateralism involves one state, bilateralism two, and multilateralism involves three or more states.

Nevertheless, most of IR researchers, use a quality-based approach. According to them, multilateralism requires indivisibility, general organising principles, and reciprocity. Multilateralism is built on the concept of public good. Public good is a good which is non-rival in nature and non-excludable. Non-rival means consumption by one individual does not reduce the consumption for another. Whereas, non-exclusion means that it is available to all and no-one can be excluded from its consumption. Furthermore, it should not allow preferential bilateralism and discrimination, if general organisational principles and reciprocity are to be followed. As a result, after the end of WWII¹⁴, organisations such as GATT¹⁵ (General Agreement on Tariffs and Trade), UN, IMF, and World Bank have formed the basis of multilateralism as they include a lot of states as their members.

Bilateralism, on the other hand, is built on preferentialism and alters its objectives and priorities as needed according to the time and the participating members.

¹⁴ The second World War was fought from 1939 to 1945 between the axis powers on one side and allied powers on the other. The major axis power countries included Japan, Italy, and Germany while the major allied power were UK, USSR, France, the US, and in a lesser capacity China as well. The war engulfed practically the whole of Europe, North America, and parts of Asia and Africa. The war in many ways was the continuation of the WW1, due to numerous unresolved conflicts.

The WWII was one of the deadliest and the longest, with casualties reaching upto 40 to 50 million people. It was the most significant event of the twentieth century. It led to the establishment of a bipolar world dominated by the USSR and the USA. It also led to the spread of communist movements in different part of the world, China being the most prominent example. It resulted in the shift of power from the Western European nations to the USA and the USSR.

¹⁵ In 1947, an organisation called General Agreement on Tariffs and Trade (GATT) came into being to look for solutions to stabilise the economic system in the post-war period. It was established after 23 nations signed the treaty for its formation. Its focuses on facilitation and improvement of the global trade by gradually reducing, in the short-term and in the long-term eliminating the tariff and non-tariff barriers between the country's border.

Finally, unilateralism refers to a state's disregard for multilateral rules and a pursuit of its interests abroad. Major powers prefer unilateral action, and the state seeking hegemony is more likely to utilise it. It is possible for a large country with sufficient resources to fulfil its foreign policy objectives without relying on international assistance.

In conclusion, multilateralism is based on norms and standards that keep the international system predictable. While bilateralism examines how international standards can be modified by two states agreeing on the same (sometimes under pressure from a stronger state), and unilateralism describes a situation where a powerful state takes certain measures unilaterally that do not satisfy contemporary international rules.

1.4 Multilateralism

Globalisation during the last half-century (and much earlier) has lifted billions out of poverty and raised the standard of living for millions. In the beginning, gains in health, education, standard of living, and life expectancy were taken for granted. But later, it was realised that those gains were not that easy to acquire. However, globalisation has been contingent on the smooth functioning of multilateral institutions that ensure the smooth operation of foreign trade and monetary systems.

Multilateralism is defined as the practice or exercise where two or more nations coordinate or sync their national policies, either through an institutional mechanism or through some temporary arrangements. The importance of multilateralism grew soon after the conclusion of WWII and world politics began to see the influence of multilateralism in policy formulation. It is evident from the fact that multilateral forums and conferences began to expand at a very high pace over a span of only four decades. The number of the multilateral organisations grew to over 600 in 1980 from a very small number of less than 100 in 1945 and 200 in 1960. On the other hand, bilateralism revived on a few issues in the 1980s, most notably trade, but the number and variety of multilateral agreements continued to grow.

Furthermore, since transnational ties were essential in the era of globalisation, multilateralism's reach has become pervasive. Multilateralism the form of a formal agreement reached between three or more states, mainly through an institution. Institutions may now be characterised as permanent and related collections of rules that can be informal or formal in nature, and that describe the functions that are behavioural, shape the expectations and constrain the actions.

In conclusion, it can be stated that multilateral organisations are distinct from other forms of multilateral institutions that are temporary in nature and are constituted to resolve specific issues or a problem. These organisations are governed by diligent and determined sets of rules that provide the organisations a multilateral structure. They can take the form of foreign regimes or bureaucratic bodies where institutions are governed by precise rules decided upon by governments and address unique foreign affairs problems. Indeed, regimes are often accompanied by organisations such that an international body is established to track and oversee a series of rules regulating state behaviour in a specific problem environment.

So, the significance of these multilateral institutions in today's world economics and polity is clearly established.

The system was formulated after the second world war so as to prevent the world economies from crumbling and help them to sustain the vagaries of war. They not only understood the significance in theory but also through personal experience of great depression of the 1930s when they were forced to bear the consequences of unilateral actions performed outside the multilateral framework.

The need for multilateralism began to grow post industrialisation, when the manufacturing process mutated from hand-made production to production by machines. The invention of the steam engines hastened this process. Beginning in Great Britain in the 1700s, industrialisation, gradually covered the entire Europe by the nineteenth century. Mass production of goods and the consequent emergence of wage-labour economy transformed the people's way of life. Multilateral organisations were established soon after WWII to enhance global economic cooperation. The twin financial institutions, that is, IMF and World Bank, were established in 1944 to deal with issues related to the international monetary policy. Around the same time, in 1947, GATT was established to take care of global trade issues and was later replaced by WTO after the Uruguay Round (1986-1994).

1.5 Evolution of Multilateralism

Several political theorists believe that the beginning of multilateralism can be traced back to the Vienna Congress¹⁶ that took place after the end of the Napoleonic war¹⁷ in 1815. It is not the case that multilateral fora did not exist before 1815, but the form in which we observe multilateral institutions today started to take shape after 1815. Upon the defeat of Napoleon in the battle of Waterloo, officials of the victorious side started to meet and hold conferences to address the issues and conflicts of Europe. These meetings and conferences that started to take place post-1815 drew its power from Article 6 of the Paris Treaty developed from the Vienna Congress. This article provided for regular meetings/conferences of the officials/ministers/states for the implementation of the treaty and to promote the good in the society so that peace persists in the world. It came to be known as the “diplomacy by conference” and further in time was called the Concert Arrangement, wherein the great powers, through these temporary conferences, tried to find the solutions to solve the crises in Europe.

The system remained as one of the most crucial arrangements for conduct of international relations throughout the nineteenth century. It transformed the European polity, since now the majority of the decisions were taken after negotiations, and also because it facilitated regular meetings of officials. It expanded the scope of consultation to cover almost all the fields - from transport and communication to health, finance, etc.

Cooperation amongst the states mainly revolved around three areas during these years-

1. Promotion of the trade and commerce.
2. Solve the issue of rising health problems which were mainly due to the migration that was taking place because of the trade.
3. How countries/nations should act during time of war.

Nevertheless, this system of cooperation that was prevailing since 1815, broke down after World War I¹⁸ (WWI). Signs of disintegration started to emerge by the turn of the 19th

¹⁶ The congress was organised post napoleonic war in 1815 to redraw the boundaries of Europe.

¹⁷ It was a 12 years long war (1803-1815) that took place between Napoleonic France and other European powers led by Great Britain.

¹⁸ It took place between 1914 to 1918 between the allied powers and axis powers. Allied powers consists of Russia, Britain and France. Axis powers consists of Germany, Bulgaria, and Ottoman Empire.

century when countries got engulfed in colonial and industrial competition with each other. The war led to the establishment of the League of Nations¹⁹, to ensure that similar wars did not occur again. Though League failed in its commitment, but it laid the foundation for establishment of many institutions that are still operational.

The establishment of the UN took place immediately after the conclusion of the WWII. Along with the UN, GATT, IMF, and World Bank were also established. The post-war period also saw the emergence of multilateral institutions dealing with a broad spectrum of issues. The idea was to address the issues that were affecting the entire world by bringing all the stakeholders on a common platform.

1.5.1 Multilateralism and its Significance in the 21st century

With the rapid progress of globalisation, the need for well-functioning multilateral institutions was also felt. Economies across the globe in the last fifty years experienced a significant growth rate, due to multifaceted reasons primary among which was the acceptance and sponsorship of an open multilateral system by majority of the states. Multilateral institutions/systems contributed enormously to this growth through various channels: the emergence of financial systems, reduction in trade and non-trade barriers, etc.

At the time of the crash of the world economy, the classical economics was the dominant school of economic thought. Classical economists believed in the tenet of the free market, and vouched for a policy of laissez-faire i.e., a system where the government had no role to play in the economy, and its only role was the maintenance of law and order. They also believed that the market left on its own, would always achieve a state of equilibrium.

So, during the 1930s, a lot of individual actions were taken, and almost none produced results. The founding fathers of the economic system of the post-war period understood and came to appreciate the importance of multilateral institutions. Therefore, the knowledge of the founders regarding the importance of the institutions was not only theoretical but also came from past experience.

The need for a multilateral institution during the great depression can easily be seen from the fact that some of developed countries like US, USSR at that time were taking measures

¹⁹ It was founded in 1920 after the conclusion of WW1 to enhance the cooperation and peace among the world countries. 42 nations came together to establish the organisation.

to solve the economic depression. The measures include devaluation, removing tariff barriers, eliminating import quotas. The rate of success of these countries policies was dependant on the fact that other economies did not take similar measures to solve the issue. If these policies were retaliated, it led to a fall in the trade volumes, increase inefficiencies, and distorts the economy at the global level. Therefore, multilateral institution emerged during the time made sure that countries do not follow same measure to handle the crisis. So, the need for the multilateral institution seems necessary in the eyes of the founders not only to make sure that situations like the 1930s will not reoccur but also to promote non-discriminatory trade policies amongst the international economies.

An increase in world trade served as the “engine of growth” in the decades following WWII. Real GDP was growing at rates that were considerably greater than the growth rates that were experienced in previous years. Also, world trade was growing at nearly twice the rate of growth of real GDP. The growth in trade was the result of the rebound of the economies from the constrained conditions of the wars and the expansion of the economy as a whole. Another factor was the declining costs of transportation and communication. At the same time, consecutive rounds were taking place under GATT for tariff reductions, as well as other trade-liberalising policies, which contributed to an increase in both trade and GDP.

Meanwhile, bilateral trading agreements were gradually phased out, followed by multilateral clearance and convertibility of current-account balances fully, all of which took place at the same time. The functioning was more like a virtuous circle where if number of trade barriers are reduced, it will lead to an increase in the economic growth, and this higher rate of growth in the economy will further made it possible to lower the trade barriers. And like this, this circle will continue. The positive effect of the multilateral institutions can be seen from the reduction of the trade barriers between countries. For example, between the developed and developing countries, trade barriers came down to less than 5 percent now from more than 40 percent in the late 1940s, while the quantitative constraints on manufactured goods trade were almost eliminated. Several aspects of this outstanding success like the unprecedented growth that economies experienced were because of their acceptance of multilateralism.

One of the most significant facts is that, with a few exceptions, developing countries did not participate in the trade liberalisation during the first twenty-five years following 1950.

Primarily, they used to establish strong barriers towards trade, especially against the imports of manufactured goods, because they believed in the theory of protectionism for ‘infant industries’, and they considered it as the best policy to pursue in order to spur economic growth and development.

Despite their refusal to engage with the world economies, developing countries saw growth rates that were far higher than those experienced during previous years. It is because of the fact that the world economy was growing at a rapid pace permitted because of relatively favourable terms of trade²⁰ and an increase in export revenues. The miracle and the success story of the East Asian Tigers²¹ were of considerable interest to the economists of the entire world.

It was not as if these group of countries did not believe in growing integration with the economies in the global arena. However, in the beginning, they didn’t liberalise their economies and still experienced spectacular growth rates and reaped vast amount of benefits. It is believed that their spectacular growth rates were because of the quicker and speedier rise of the world economies. In short, many scholars believed that the integration and globalisation of world economies that the major developed countries were advocating was the “public good²²” and these East Asian Tigers became the “free rider²³” of this public good i.e. multilateral system. Furthermore, they experienced all the major benefits and development in their trade and economic growth that emerging countries were experiencing despite the fact that no particular efforts were made by these countries towards liberalising their economies at that point of time.

Because of this multilateral arrangement and all the benefits that they derived from it as a free rider, it was believed that these countries might soon take steps to liberalise their economies quickly and become part of the structure to gain all the possible profits. Otherwise, they would be slow in the process of liberalising and would wait until their domestic conditions allow them to do so. Infact the East Asian economies witnessed even

²⁰ It is the ratio of export price index to the import price index.

²¹ It includes four nations-Hong king, Taiwan, South Korea and Singapore. These economies experienced higher rate of economic growth from 1960s to 1990s.

²² It is good with two important properties. One, it is non-rival in consumption which means consumption by one does not reduce the consumption for other. Second, it is non-excludable, which means it is available for all in the same quantity.

²³ It is an issue that emerges from the consumption of the public good wherein one individual without paying for the good, consume the good and becomes free rider.

more significant gains after liberalising their trade policies in the 1980s and 1990s. Taking queue from the East Asian economies, trade restrictions were drastically reduced in most economies, having a significant impact on their long-term economic prospects in the world economy.

Another evidence supporting multilateralism was the fact that trade as a percent of GDP increased and living standards across the globe also significantly improved post-1945. Moreover, almost all of this occurred inside a multilateral framework that was anchored by the World Bank, IMF, GATT, etc.

After the 1970s, the fixed exchange rate system²⁴ was replaced by a flexible exchange rate system²⁵. It was done because major economies could not implement their economic policies since they were not following fixed exchange rates. Therefore, multilateralism acquired greater momentum post-1970s.

Post-1989, the most significant geopolitical shift took place in the international arena following the collapse of the Soviet Union. Many realist theorists considered it as one of the smoothest transitions in world history considering the scale and the implications of the transition. Multilateral institutions have played a key role in controlling the economic fallouts of the collapse of Soviet Union.

So, evidence suggests that international institutions/international organisations play a very important role in enhancing the scope and efficacy of multilateralism.

1.6 International Organisations

An international organisation (IO) is defined as an organisation with membership of at least three countries with their activities spread across multiple countries, where the members are bound to an objective by a formal agreement that is signed between the members. The membership of IOs that are in existence today, ranges from 3 to 185 members, with UN having 185 states membership.

Different nations do not always share the same beliefs and principles. In most instances, there are differences in terms of the policies and the manner in which they handle different

²⁴ It is an exchange rate system where the exchange rate between the nations is fixed by the government.

²⁵ Under this, exchange rate is determined by the market forces of supply and demand.

c.) A formal structure of the organisation to implement the rules.

According to some political theorists, existence of organisations with such characteristics can be traced back to the time of the Greeks. But it existed for a single task, which was, to maintain religious unity. However, the real growth of IOs can be seen from the early nineteenth century with the starting of the Industrial Revolution²⁶ and the emergence of Nation states. The growth was mainly because of four factors prevalent during the time-

1.) Because of the industrial revolution, economic expansion amongst the economies increased, and this led to an increase in transactions between the economies. At the same time, this became one of the factors for the initiation of conflicts amongst the nations and also the root for international arbitration as the solution for it.

2.) Because of the industrial revolution, an increasing number of products were emerging in the market every day. On the back of this change also emerged issues like patents, custom duties on the goods, the exchange rate between the countries, etc. These issues could only be addressed collectively by countries, an imperative, that could only be handled by the establishment of such international institutions.

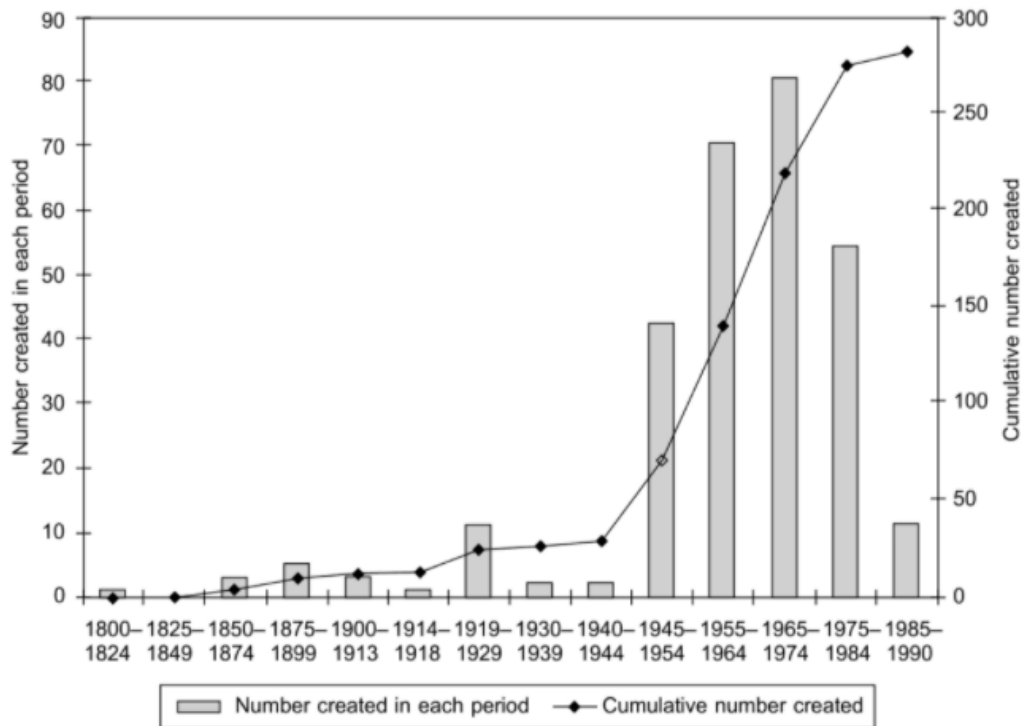
3.) Every nation has its own sovereign rules and laws, and they always adhere to them. These rules/laws often lead to conflict between the countries when the trade takes place. In this context, an organisation with multi-national participation can provide stability with respect to rules and regulations.

4.) With the progress of industrialisation, countries were becoming more interdependent on each other. Division of countries into multiple groups and the growing interdependence also led to a scenario where these groups sought to frame rules against their rival groupings. These institutions provided a formal mechanism for countries to give effect to this strategy.

It can be seen from the figure below that the number of the international organisations began to grow post-1919.

²⁶ The process began in Great Britain spanning the period between 1760-1820. Machines, steam power, factories, etc., dominated this process and substitute the hand-made production. It was called the revolution because of the time and cost advantage which it has above the hand-made production. Here, the economy transformed from the agrarian economy to the manufacturing economy.

Figure 2: International Organisation Rise



Source: Yearbook of International Organisation

1.6.1 Types of International organisation

International organisations can be classified into three types:

I. By Parties

Under this, the international organisation can be classified into four types-

- a.) Universal-The membership of the organisation is open to all the sovereign states in the world. For example-UN.
- b.) Regional-Membership is limited to a particular geographical area. For example-SAARC includes members from the South Asian region.

c.) Multilateral-It includes more than two members. For example-NATO²⁷, SCO, BRICS, etc.

d.) Bilateral-It includes two parties/nations.

II. By Purpose

Under this, international organisation can be classified into six types:

a.) General-Organisation which has a broad range of areas under consideration. For example-UN.

b.) Specific-Organisation which is created for a devoted area. For example-WHO²⁸.

c.) Promotional-Organisation created to promote particular objective. For example-ILO²⁹.

d.) Allocative-Organisation that is created to allocate funds/goods. For example-IMF, World Bank, etc.

e.) Regulatory-It is created to regulate certain activities. For example-International Maritime Organisation³⁰ (IMO).

f.) Consultative-It is there mainly for providing suggestions and a platform for discussions. Its decisions/ruling are not binding on the members. For example-Non-aligned Movement³¹ (NAM).

²⁷ It is acronym of “North Atlantic Treaty Organisation”. It is an alliance between member countries for the military purposes. It was formed in 1949. Now, have 30 members and is headquartered in Brussels, Belgium.

²⁸ It is UN specialised agency the deals with the health issues. It has 194 members with headquarter in Geneva. To act as the directing and coordinating authority on international health work. Its goal is “to establish and maintain effective collaboration with the United Nations, specialised agencies, governmental health administrations, professional groups and such other organisations as may be deemed appropriate; to provide assistance to the Governments, upon request, in strengthening health services; and to promote cooperation among scientific and professional groups which contribute to the advancement of health”.

²⁹ It is UN specialised agency which brings employers, workers and government together to establish rules, policies, standards related to labour. Established in 1919 with headquarter in Geneva. Its objectives are “to promote and realise standards and fundamental principles and rights at work; to create greater opportunities for women and men to secure decent employment; to enhance the coverage and effectiveness of social protection for all; and to strengthen tripartism and social dialogue”.

³⁰ Specialised agency of UN created in 1959 with the objective “to create a regulatory framework for the shipping industry that is fair and effective, universally adopted and universally implemented”. It has 174 members and is headquartered in Geneva.

³¹ It was formed during the time of cold war for the countries who do not want to join any of the two groups. The concept emerged during the Bandung conference that took place in 1955 in Indonesia and was established in 1961.

III. By Power

Under this, an IO can be classified into three types-

- a.) Debating-Under this, it is not obligatory for the members to accept its decisions. For example-NAM.
- b.) Decentralised-Under this, a member can accept some of the rules, and the nation can itself decide under what circumstances it can defer to follow the rules. For example-NATO.
- c.) Deciding-Here, an IO is authorised to place obligations on the members.

1.6.2 Importance of International Organisations

1. International Organisations play a crucial and a very significant role, especially during the times when the world economies have lots of differences amongst each other by providing a common platform to solve the issues peacefully.
2. In the era of globalisation, where interconnectedness between the nations has increased and when dependency on others has grown, IO provides the bureaucratic structure, mechanism, and rule on which the nations can adhere to cooperate with less fear of backing out from other countries or conflict with other nations concerning rules and regulations.
3. IO helps in promoting peace and stability in the world by preventing conflicts between nations since it provides a platform for building/developing consensus.
4. It also ensures that costs and benefits are shared equally amongst the members.

1.6.3 Advantages and Disadvantages

A general principle in a multilateral agreement is that all members are required to treat one another fairly. In other words, no government can offer one country a better trade deal than the other partner member of that particular fora. As a result, the playing field is levelled. It is vital for all the countries, but it is very particularly essential for the emerging market economies. The reason is that many of these emerging economies are smaller, they are less well-positioned to compete. Best trading conditions can be obtained with a trading partner

with the Most Favoured Nation (MFN)³² status. The developing countries stand to gain the most from this.

In addition, it boosts trade for everyone involved. Businesses benefit from reduced tariffs. As a result, their exports become more affordable.

The third advantage is that it harmonises trade related legislation in all the countries that are partner to the agreement. The harmonisation of rules allows businesses to save on their legal fees and therefore, countries receives the cost benefits.

The fourth advantage is that governments can conduct trade negotiations with multiple countries simultaneously. Trade agreements must be approved by a variety of parties in a careful and deliberate manner.

The final benefit pertains to developing countries. When two countries sign a free trade agreement, the economy of the wealthier nation stands to benefits more than the other. As a result, the country with fewer resources is at a disadvantage. However, strengthening and developing markets over the long term, will benefit the developing economies.

The number of people in the middle class is rising in such developing markets. As a result, everyone gains access to new and wealthier clients.

Disadvantages

Multilateral agreements have one of the major drawbacks of being difficult to understand. As a result, dealing with them is tough and time-consuming. Negotiations can drag on for an extended period before getting anywhere.

Secondly, specifically only the trade and business practices are discussed in the negotiations. Therefore, they are frequently misunderstood by the general public. A lot of debate and demonstrations follow as a result of the opaque nature of such agreements.

Trade agreements all have the same third disadvantage. When trade barriers dissolve, some businesses and industries of the country might suffer.

³² It is a principle where if one nation provides any trade concession to a member nation, then it should give/provide the same to all the members.

The small enterprises of a country suffer from the fourth disadvantage. Giant multinationals gain a competitive advantage as a result of a multilateral agreement. The giants have the first goers advantage as they already have the prior knowledge of working in a global setting. As a result of this, already acquired advantage of the giants, small enterprises find themselves unable to compete. Therefore, some of the small businesses opt to lay off some their employees to save on their fixed costs. Furthermore, others decide to locate their manufacturing facilities in nations with lower living standards so as to take benefit of the low wage rates. Therefore, the local economies that are dependent on these industries have significant unemployment rates. Multilateral accords are therefore not widely supported in such economies.

1.7 Challenges of Multilateralism

Ever since the disintegration of United Socialist Soviet Republic (USSR), the multilateral system had to contend with growing number of challenges, especially in the early years.

As the United States had grown militarily and economically dominant, countries like China, Iran, and India have started to doubt the usefulness of the UN. The United States gained a reputation among internationalists like Kofi Annan, formal UN Secretary-General, for acting unilaterally when faced with international consequences. For example, President Clinton signed the Comprehensive Test Ban Treaty³³ in September 1996, but the Senate refused to ratify it in October 1999, starting a new trend. Under President George W. Bush, US rejected many multilateral agreements such as the Kyoto Protocol, the Ottawa treaty, a protocol that would ensure that the parties engaged will comply with the convention related to the biological weapons, and finally, the agreement that bans the use of land mines, among others. Along with these agreements, Bush administration also rejected many of the rulings of the International Criminal Court's³⁴ (ICC). It was under his administration that the United States also withdrew from one of the most significant treaties concerning

³³ It was adopted in 1996 at UNGA conference. It aims to ban nuclear tests by all the countries.

³⁴ It was established in 1998 by the Rome Statute and is headquartered in Hague. It handles the gravest of crimes committed which affects the international community. It includes war against humanity, genocide, crime of aggression, etc.

international peace viz. the Anti-Ballistic Missile Treaty³⁵, which was ratified in 1972 by Stalin and Nixon.

The issues that US had with the multilateral agreements can be explained by the country's strong confidence in bilateral partnerships as control mechanisms. Liberal institutionalist, on the other hand, believed that major nations may still choose to form a multilateral alliance instead of competing bilaterally. Rather than seeing their leverage diminished in a multilateral arena, strong countries might increase their ability to manage weak nations and maximise their clout by signing a number of bilateral agreements with allies. There are similar arguments for favouring bilateral over multilateral, or even unilateral, diplomacy under the Bush administration. To achieve its goals, the administration chose to focus on developing one-on-one ties with a small number of carefully selected countries.

National sovereignty is an issue in multilateral global governance. Internationally, "nation-states represent the fundamental hub of authoritative decision-making for most elements of public and private life," notwithstanding the waning legal and practical sovereignty of nation-states. "Nations are unlikely to adopt abstract duties that conflict with actual assessments of national interest," Hoffman opined.

Regional agreements like the North Atlantic Free Trade Agreement (NAFTA)³⁶ and European Union³⁷ (EU) challenge global multilateralism, especially in commerce, but they are not incompatible with most significant agreements such as WTO, UN, etc. The United States, which was amongst the first and initial sponsor of the post-war economic multilateral system, started to move away from the decisions of these forums. It began to support the unilateral actions and agreements taking place, particularly in the field of trade. This movement shows that the US was unhappy with the decisions that were taken by these multilateral organisations. In effect, it was not the powerful nations that stood to lose from leaving multilateralism, rather it was the smaller and poor economies that had to bear the

³⁵ It was ratified in 1972 by USSR and USA to stop using the missile system which are used to destroy the inter ballistic missiles launched by another country. As per the treaty, missiles can be used only to protect the nation and to protect the launch sites.

³⁶ It is an agreement between Mexico, USA, and Canada to allow for the free movement of goods and services across the borders of three nations by reduction of tariff rates. It came into existence in 1994.

³⁷ European Union (EU) was formed in 1993 after the signing of the Treaty of Maastricht and it has 27 members. The leaders of Europe realised that large-scale unification was the only defence against the threat of a widespread form of imperialism that had brought the world to the brink of destruction at the time of First World War. As a result, in 1951, European Coal and Steel Community came into existence after the signing of the Treaty of Paris, followed by the European Economic Community in 1957 by the Treaty of Rome. These two treaties became the precursor for the formation of EU in 1993.

brunt of the consequences. Aside from the shifts in the stance of the United States, European populism has recently proven to be a hindrance to multilateralism. Eurosceptic parties have made gains in European Parliament, proving this claim.

1.8 Future of Multilateralism

Financial Crisis, Climate change, terrorism, biological wars, and cybersecurity are some of the many global issues that can only be addressed, in an adequate manner, through the multilateral arrangements given the globalised nature of today's world. It is a known fact that post the conclusion of WWII, the liberal international order was established to restructure the global economic system based on the principle of multilateralism. Furthermore, this principle played a very crucial role in ensuring and maintaining prosperity and peace in the international arena.

Nonetheless, this system is in jeopardy, with its essential goals and principles being questioned by a number of sources. Some of the advanced nations have started to show their dissatisfaction with the system. For example, the United States by pulling itself out from many of the multilateral organisations by giving the reasons for the collapse of post-Bretton wood system in controlling the slow growth rates in the world economy, increasing inequality, decrease in the labour force participation, rising migration, social stratification, and joblessness. But these factors are also associated with automation and globalisation.

Due to significant changes in the demographic profile of countries, economic performances, and political clout of some of the most advanced nations, it has been commonly regarded for the past three decades that the present multilateral regime system needs to be altered. Political stifling in some of the international organisations tasked with regulating economic globalisation, such as the World Bank, IMF, UN, WTO, and others, has hampered progress in the reform process.

As a result of this disappointment with the present form of multilateralism, many alternatives have been considered, such as simultaneously going for bilateral agreements or collaborating with like-minded nations or countries which are in geographically proximity. But none of these options has a realistic prospect of completely displacing multilateralism, because a globalised world confronting issues of an international scale, necessitates a rule-based and open international order that ensures that all the people and nations are well served. Therefore, the need of the hour is something that reflects a balance between the present form of multilateralism, which establishes the universal rules, and the

excessive number of pluryilateral agreements that allow for massive flexibility in moving an agenda further when the universal consensus is not achieved.

The goal is to create a set of legally binding universally agreed general rules, managed without any bias by the representatives and liable adjudicators which ensures that all the nations-

1. Avoid harming others by enacting the beggar-thy-neighbour³⁸ policies.
2. Incorporate cross-border spillovers.
3. Collaborate for the management of the global commons³⁹.
4. Cooperate in the allocation of the global public goods.
5. Encourage the global development and economic growth.
6. Address the problems that are affecting the all the countries.

In addition to all these, there is still a need to maintain flexibility to accommodate the varied economic policies.

In this new era witnessing an increased power struggle amongst the nations, economic and political conflicts, and a divergence of economic growth and development from social achievement, multilateralism should be revamped by resolving the drawbacks and controversies and make it more appropriate for the present time.

Multilateralism and globalisation must be understood as a means to an end which implies that they must be analysed in terms of the economic and social success derived through them, and not as an end in themselves. For this purpose, multilateralism may and should be utilised to foster robust, balanced, sustainable, and inclusive growth across all the nations, leading to strengthening of the global economy.

Moreover, despite all of the progress made since 1950s, there are still significant differences in perspective, around the globe, on the most appropriate institutional arrangements for promoting sustainable development. Yet the established international

³⁸ It is a famous term which is used to describe a situation where a nation enacts policies to address its economic issues but in effect it worsens the economy of other nations.

³⁹ These are those resources which are shared by all. No one holds control over these resources.

organisations generally promote a universally accepted “right” model of governance. Therefore, the new multilateralism must understand that there is no one-size-fits-all strategy to meet all the human needs and ambitions and that a variety of policy initiatives are essential for dealing with a variety of cultural issues.

To resolve the critical concerns, that is, the developments brought by the digital economy and quick technological changes, we need decisive and united action. New multilateralism must be envisioned as a means of increasing resident empowerment and a country’s leadership.

In the framework of global administration, accountability and legitimacy necessitate an international discussion process that can offer explanations for the acts performed or evaded, such that others can accept it as fair, even when interests and values vary and conflict reigns. Nations should be allowed to experiment and adopt diverse solutions as far as they can justify to the policymakers of other peer countries as to what prompted them to they chose those solutions. They must openly defend their decisions and present them in the framework of similar decisions made by others.

The importance of non-state and subnational entities in this revived multilateralism cannot be overstated. Stepping away from the state-centred multilateralism to a multi-channel, bottom-up multilateralism that always and openly accepts the significant contributions to the global institutions by civil society and business players, must be the focus. These players are frequently able to bypass political disputes and push new global standards more successfully through commercial and social mechanisms compared to any central government. This type of multilateralism may be seen in the agenda related to climate-change, which combines formal international agreements with a range of events and lobbying by individual activists, government officials, companies, and financial institutions.

1.9 Review of the Literature

The literature review is a very crucial part of any research. In the context of the present study, the review of the literature has been discussed under the following six sub-themes:

1. Multilateralism and International Trade

2. BRICS and India-Russia Trade Ties
3. World Trade Organisation (WTO) and India-Russia Economic Relations
4. India, Russia, and Shanghai Cooperation Organisation (SCO)
5. Significance of International North-South Transport Corridor (INSTC) for Indo-Russian Trade Relations
6. EAEU as an engine in India-Russia Trade Ties

1.9.1 Multilateralism and International Trade

International trade is critical for economic growth since it produces employment, increase profits, and encourages changes. International commerce, according to economic theory, increases productivity. International trade, in this respect, is analogous to a modern day invention that augments the economic potential of all countries participating in trade. In today's global trade setting, no nation will prosper by isolating itself from the rest of the world. Trade restrictions tend to stifle the development process. Historical data on trade and numerous surveys have concluded that unrestricted trade adds a lot of value to a country's economy and its development process, and the country which follows a foreign trade policy that restricts trade with other nations fall behind nations that allow freer trade.

The core and the most fundamental meaning of multilateralism refers to the practice or exercise where two or more nations coordinate their respective national policies in accordance with the specific principles constituted and framed for the purpose. In this respect, in areas of international trade, multilateralism and principle of most favoured nation are synonymous with each other. Multilateralism is based on norms and standards that keep the international system predictable.

Multilateralism has been instrumental in sustaining the century's enormous economic success, with multilateral financial institutions proving extremely effective in supporting economic success of previously unimaginable proportions. Furthermore, as globalisation progresses, the demand/need for multilateral organisations becomes higher.

The international organisation does not have the power or the authority of their members but the nation together, through an official agreement, create an international organisation.

It is specially created when members feel that the particular issue needs urgent attention and it can be solved when the nations work together.

Robert Keohane defined multilateralism as an arrangement between the states to achieve a specific goal with the mediation of the institutions. Institutions may now be characterised as permanent and related collections of formal and informal rules that describe behavioural functions, constrain action, and shape expectations. He also argued that to enhance international cooperation between sovereign states, reciprocity is fundamental since it fosters cooperation.

Katheryn C. Lavelle in the book *“The challenges of multilateralism”* pointed out that the essence behind multilateralism is that the states want to coordinate their efforts and policies by agreeing on a common set of standards. But over time, the principles or goals followed by states might change which also leads to a change in the way a state might achieve them and how they deal with a situation also change, and this is a challenge for multilateralism. Secondly, the strong nationalist feelings among certain sections of a nation try to pull the country away from such agreements. Thirdly, conflicts are an integral part of the society. Therefore, when principles/features of such agreements interrupts with the manner in which a country can behave under certain circumstances, a country may not honour its commitment toward the agreement. However, there are some issues like terrorism, diseases, poverty, environmental issues, etc, which need the global community to work together to find a common and standard solution. Therefore, multilateralism is the only solution for the global community to solve such issues even if they find limitations in the process.

Anne Krueger in the article *“An enduring need: multilateralism in the twenty-first century”* highlighted “multilateralism has been the key to the huge economic successes of the past half-century and the well-functioning multilateral international economic system is of greater importance than ever as globalisation proceeds”. Furthermore, she also concluded that the growth, that major economies experienced was mainly attributable to the success of multilateral institutions. Post WWII, politics began to see the influence of multilateralism in policy formulation. This is evident from the fact that multilateral forums and conferences began to expand at a very high pace over a span of only four decades. The number of the multilateral organisation grew to over 600 in 1980 from a very small number of less than 100 in 1945 and 200 in 1960. While bilateralism revived on a few issues in the

1980s, most notably trade, the number and variety of multilateral agreements continue to grow.

David Greenway argued that the GATT system that originated in 1945 was mainly based upon the philosophy of multilateralism, which is evident from Article 1 of its charter, which talks about the “Most Favoured Nation” (MFN) principle. In order to understand the link between the multilateral institutions, Greenway divided his study into two periods-1948-1973 and 1974-1990. He argued that the former period was the golden period from a trade perspective as there was a movement towards openness between the economies and relationship between the countries were becoming closer. Whereas in the later period, trade was not growing much, owes the reason to the division of Bretton wood and the development of the “new protectionism” theories. The growth in trade that was there was only because of the continuous talks that were going on between the members of the GATT. So, multilateralism has led to an increase in trade between the countries when the world economies went on to the talks through these multilateral institutions.

J.G Ruggie in the article “*Multilateralism: The Anatomy of an Institution*” argued “in the sphere of international trade relations, the fundamental and defining characteristic of the balanced and equal trade strategy to secure stability and prosperity was multilateralism. Multilateralism, and its prime tenet of non-discrimination, is the cornerstone of the trading system. Non-discriminatory trade policy allows businesses to buy and sell on the most advantageous terms available, free of government-imposed distortions on sourcing decisions. Thus, MFN is an efficiency principle, both in the sense of ensuring access to low-cost supplies and of allowing producers to sell in foreign markets without a policy-imposed disadvantage relative to other suppliers. Secondly, in a world of differentiated, discriminatory trade regimes, doing business across frontiers becomes more complex and time-consuming, raising costs and undermining competitiveness. So, MFN also reduces transaction costs. The third reason for preserving MFN hinges on its role in ensuring that developing and transition economies remain within the system. Fourth, the discrimination inherent in trade relations built upon reciprocity requires that economic relations are defined fundamentally, if not exclusively, in bilateral terms”. (Ruggie, J.G. 1992) Therefore, multilateralism is crucial so that nations can trade under equal terms and conditions.

Robert W. Cox opined that multilateralism is an important concept due to its considerable impact in shaping the world order. In his article “*Multilateralism and the world order*,” he defined multilateralism from two perspectives-political and economic. Political multilateralism means that two or more states make an arrangement at a time for their cooperation on a familiar issue, and; economic multilateralism implies creating a type of arrangement that is more suitable for the capital in the world. Cox also talks about the crisis that surfaced to challenge Multilateralism and provides an explanation for why the USA and some of the dominant countries of the 1980s refused to consider UN as the platform for coordinating global activities and therefore either moved towards unilateralism or shared dominance in political and economic affairs.

Giovanni Maggi has looked at the role of multilateral institutions in enhancing the collaboration for international trade. Furthermore, Maggi studied two important benefits of these institution-firstly, a multilateral institution will look carefully at the points of the signed agreements and identify the violators and inform the third-party about the violation that has occurred in the agreement, and secondly, they promote well organised and methodological rule-making strategies. Maggi concluded that these institutions are fundamental when there is existing inequality in the global world order.

1.9.2 BRICS and India-Russia Trade Ties

Mr. Jim O.‘Neill, who was the chairman of Goldman Sachs, coined the term BRIC. He mentioned the term in one of his articles, “*Building Better Global Economic BRICs*”. He used the term to refer to the four economies that include Brazil, Russia, India, and China. Sach in the article even mentioned that these four economies in the coming time are going to represent much of the world’s economic growth. He even predicted that by 2050, these four countries would be amongst the top six economies of the world. After the induction of South Africa into the organisation in 2010, the organisation came to be known as BRICS. BRICS don’t exist in the form of a full-fledged organisation, but it exists in the form of the annual summit attended by the leaders of the five-member countries with the chairmanship rotated annually amongst the five members.

As of 2018 World Bank’s data, the BRICS countries together have 41 percent of the total world population, and 29.3 percent of the land area. In the global GDP, its share is 24 percent and in the world trade, it represents 16 percent share.

Among all the multilateral organisations, of which Russia and India are part of, BRICS is one of the most important international forums. Both countries share a common aim and objective of being part of BRICS, and this includes-

1. Higher level of development.
2. Provisions for financial assistance.
3. Supporting infrastructural development.

Xing and Cheng in the article “*China-Russia-India—The BRICS Countries in Eurasia Are the Key Factors in the Construction of the Silk Road Economic Belt*” made a very important observation with regard to BRICS as an important bridge between India and Russia to share their respective advantages with each other and benefit from them. Amongst the oil-producing nations, after Saudi Arabia, Russia holds the second position in the world. This indicates that Russia holds a comparative advantage in the energy sector. In terms of the capacity of oil storage in the world, Russia’s capacity is 12-13 percent of the total world’s total capacity. Also, if some of the essential metals and non-metals of the world are mapped, it is found that in iron reserves, it holds the largest reserves. Then, in the case of coal and aluminium reserves, it has the second-largest reserves. Furthermore, in Uranium, it holds the seventh-largest position. (Xing and Cheng, 2016). In contrast, India is one of the leading energy consumers. It has been estimated by the International Atomic Energy Association (IAEA) annual report of 2015 that by 2050, in the race for energy consumers, India will hold the second position only after China. Indian overseas energy dependence is upto 70 percent. So, this gives both the countries a reason to interact on this account and work towards the enhancement of their trade relations.

In the global arena, India is also known to be the “world office” as it has a flourishing services market catering to its domestic as well as international demand particularly in the IT services sector. India is the world leader in the scale and quality of its software exports and provides cost-effective services. According to the “World Bank’s investigation and assessment of the national ability of software export”, India ranks third in terms of services exports. The advantage enjoyed by India in software technology benefits other technological sectors as well. Currently, Russia needs software support to fulfil its economic development goals and strategies, as it is lagging behind due to infrastructural backward and obsolete technology. This is another area for cooperation.

Kalpna Singh in one of her studies for “*Intra-Brics Trade intensities: An Analytical study*” argued that after signing the “Declaration on the India-Russia Strategic Partnership” in 2000, their bilateral relationship acquired greater significance, as both the nations are now more involved in BRICS. The declaration was signed during one of the visits of President Putin to India. Also, in 2016, the head of State of both the countries issued a joint statement, namely “Partnership for Global Peace and Stability”. As a result, there was a substantial increase in India’s imports from Russia seeing a rise from \$4527 million in 2015 to \$4782 million in 2016. Import figures have been almost similar since 2012, except in the year 2013. On the front of exports to Russia, there have been a lot of fluctuations since 2012. Overall, the total trade of India with the Russian counterpart has registered a growth of 22 percent, totalling \$7.5 billion in 2016.

In the existing era of globalisation, when any country wants to achieve higher growth rates and development, it engages in international trade and takes the benefit of the lower comparative advantage of the other country and becomes exporter of the goods in which it has a lower comparative advantage. Another benefit of the trade was the economies of scale that led to a higher growth rate. In this context, **Ashwini Kumar Mishra and et al** used “gravity model” of the international trade to forecast the trade between India and BRICS members and concluded that extensive integration of the nation in economic terms because of a multilateral institution led to the economic growth of the country. This study was also supported by **Dr. N. Kubendram** in his article “*Trade relation between India and other BRICS countries: A multidimensional approach using Gravity model and Granger Causality*”.

Pradeepa Dembatapitiya (2013) conducted a research using the tool of a case study in 2013 on “*Trade Flow and Determinants of Trade Intensity in South Asian Region*”, which focused on how South Asian nations conduct and direct trade between themselves and what are the major determinants of trade between any two nations. The study also tried to find out the factor that influences trade, like different kinds of trade pacts, export market diversification, and various barriers to trade. Dembatapitiya used “Trade Intensity” as a variable in his study, which he did by using the Gravity model. There was a significant and positive relationship between trade agreement and trade intensity. The complementary index measures the trade volume between nations, and it shows that in the case of India and Russia, the index figure is very high, but the trade is very low.

In a study done by the International trade centre, it concluded that BRICS exports in the services sector grew faster than even that of the developed countries.

Also, as pointed out by **Rudnitsky** in the article “*Russia and India: In search of a new strategy*”, “India and Russia are discussing the Free Trade Agreement (FTA) on the sidelines of BRICS to expand energy trade, including gas, oil, and nuclear. Recently, both the countries have agreed to streamline their bilateral trade in diamonds through reduction in tariffs and regulations. Russia has agreed to build more than 20 nuclear reactors in India over the next 20 years”. Therefore, the trade relations in the future seem optimistic for both the countries. (Rudnitsky, A. 1999)

Amrita Jash concluded in her article that considering the world economy, the economic viability of BRICS has expanded after the introduction of the New Development Bank (NDB), and the creation of the Contingent Reserve Arrangement (CRA), and concurrently enhancement of the south-south cooperation is also one of its characteristics. Regardless of the fact that the organisation is in its infancy, it is giving tough competition to the western-dominated institutions.

Ashok Mittal and et al. argued that in terms of raising productivity, establishing a prospective market for the consumers, and foreign investment inflows, BRICS is playing a very critical and important role in the world arena. The BRICS countries are prepared to strengthen their intra-BRICS cooperation as well as their interaction with the rest of the world. BRICS countries together contribute to about 20 percent in total world trade and have over 40 percent share in the economic growth of the world. Even the 2017 BRICS summit, themed “BRICS: Stronger Partnership for a Brighter Future,” focused on expanding BRICS trade cooperation. Moreover, this will put in place a strong foundation for enhancing the economic relations in particular and trade in general between Russia and India. The BRICS countries have made significant progress in integrating into the global economy.

1.9.3 World Trade Organisation (WTO) and India-Russia Economic Relations

WTO was born after the Uruguay round of GATT (1986-1994) negotiations in 1995. GATT was not a full-fledged organisation, it was only in the form of agreements. It was provisional in nature. Until the creation of WTO in 1992 as a full-fledged to deal with the trade-related issues seriously, the agreement that was finalised and passed under the ambit

of GATT used to govern all the trade-related agreements or trade taking place between the countries.

The WTO was established with the purpose of ensuring free, smooth, and predictable global trade. The WTO offers its member states rules for trade, offering each country the trade in which the country has a comparative advantage. The aim of WTO is to create economic stability and peace, which will be based on consensus amongst its member nations and ensures a smooth and fair multilateral trading system. Agreements signed under WTO form the core of the institution as these agreements establish the basis according to which countries trade with each other and also bind the member nations to frame their respective trade policies within limits set by the organisation.

There are currently over 160 members who have also ratified the WTO agreement and principles. They have also incorporated WTO rules into their domestic legal system, which means its domestic laws and regulations cannot contradict WTO ones.

Kaempfer et. al., in the article “*International trade: theory and evidence*” highlighted that when WTO replaced GATT, WTO differed from GATT in two aspects. GATT was very flexible when it came to deal-making and bargaining, whereas WTO is rigid in the sense that its rules and standards in most cases apply to all of the member nations in the same way. The approach followed by WTO is rule-based, such that it lays out the complete framework for the working of international trade.

Aslund and Kuchins in “*The Russia Balance sheet*” (2009), argued that Russia would benefit from the membership of WTO because of more Foreign Direct Investment (FDI) flows and because of the easing of the services trade. Nevertheless, the benefits that Russia is going to derive from the membership will not be equal to other member nations because Russia is predominantly an exporter of primary commodities and such commodities are hardly taxed when these commodities are exported. In spite of this, membership is necessary for Russia to establish its status in the international arena and impact debates and discussions on global trade.

Aslund in the article “*WTO Can Place Russia on the Right Track*” published in the newspaper Moscow Times, highlighted “Russia’s entry into the WTO fold, besides creating a transparent and predictable trade policy environment, will lead to other advantages for Indian exporters, such as low duties, reduced subsidies on import-competing products,

rationalisation of sanitary/phytosanitary (SPS) measures and technical standards. (Aslund, A. 2010).

Also, **Ellen Wolff** in his thesis titled “*Would a Russian WTO accession increase the country’s export?*” (2012) ran a regression test and came to the result that a country that becomes a member of the WTO could expect its trade to increase by 12 percent. Thus, membership in the WTO has a significant and positive effect on countries bilateral trade flows. Therefore, going forward, India and Russia can see greater benefits because of their active participation in WTO.

Amit Sen in “*How India will gain from Russia’s WTO membership*” (2012) highlighted the potential gains which India will derive from Russia’s membership in WTO. He argued that Russia’s membership in the organisation would help both nations to revive their trade potential as it existed prior to 1991.

1.9.4 India, Russia, and Shanghai Cooperation Organisation (SCO)

SCO was instituted in 2001 in Shanghai by China, Russia, Kazakhstan, Uzbekistan, Tajikistan, and Kyrgyzstan. In 2010, during the Tashkent summit, the membership criteria for the other nations seeking membership were laid down and approved by SCO and came to be known as “Regulations on the Admission of New Members”. In June 2017, at the Astana summit, India officially joined SCO as a full-fledged member.

SCO is known as the Eurasian economic, political, and security organisation dedicated to maintaining security, stability, and peace in the region. It is also known as the Alliance of the East. In terms of geographical and population coverage, it is the world’s largest regional entity. The SCO is potentially one of the most significant and influential regional organisations in the heart of Eurasia.

Russia was instrumental in persuading the other founding members to allow India to become a member of SCO. Russia’s support became evident at the informal summit that took place in Sochi, Russia, and was attended by India’s PM Narendra Modi. Acknowledging Russian support, the Indian PM stated that India would move forward in its pending defence deal with Russia and also gave the assurance of amity to Russia.

It is interesting to note that the one hand, SCO has some of the world's largest exporters in the energy sector, including Kazakhstan, Iran, and Russia. And on the other hand, it consists of the biggest energy consumers, namely India and China. In addition to this, half of the world's proven gas resources are found in Iran, Russia, and the Central Asian republics. Furthermore, as per the report of the International Energy Agency of 2015, "India will become the world's third-largest energy consumer by 2025, behind only the US and China. Therefore, energy security for India depends on assured and secure supplies to meet its future demand". Furthermore, in this respect, membership of SCO will be instrumental.

Vladimir Putin, Russia's president, holds a strong view that - China, India, and Russia are the most influential and significant participants in SCO owing to the fact that they have the strongest economies in the region. Therefore, Moscow views SCO as an alternative trading and financial platform especially for the times when sanctions are imposed by the US and other western nations.

Parth Sarthi Suhag in the article "*India's membership in Shanghai Cooperation Organisation: An Appraisal*" argued "SCO would also be a new channel to enhance bilateral ties with Russia in addition to robust engagement through BRICS (Brazil, Russia, India, China, and South Africa) and other bilateral mechanisms". (Suhag, P.S. 2017). The primary benefit which both the countries can derive from the organisation lies in the prospects of solving the connectivity problem.

Natalya A. Sadovnikova and et al. argued that at the beginning of its foundation, the SCO began as an organisation that was fully dedicated to guaranteeing regional security, especially against the "three evils" of extremism, terrorism, and separatism. However, in recent years, there has been a significant increase in economic interaction between the countries due to the more prominent role played by the economic policies in global affairs as well as in SCO.

1.9.5 Significance of International North-South Transport Corridor (INSTC) for Indo-Russian Trade Relations

The commissioning of INSTC with the Chabahar port will allow Indian goods to have better access to the unexploited markets of the Eurasian region, especially the untapped region of Russia's Far east. This was greatly required in the absence of feasible transport

connectivity, which was a severe issue and hindrance to carry out trade with the Eurasian region, especially Russia.

INSTC is a 7200 kilometre(km) multi-modal transport corridor envisaging road, sea, and rail routes. It got ratified by Iran, Russia, and India in 2002 after being launched in September 2000 with a sight to enhance connectivity in the Eurasian region. It aims to connect the Caspian Sea, located in the heart of Central Asia, and the Indian ocean, which lies in the south of the Indian subcontinent, via the Persian Gulf. The INSTC was conceived with a vision to provide an alternative to the trade route passing through the Suez Canal also reducing transportation costs and time. Crucially, the INSTC will provide a platform for the harmonisation of transport policies preventing the bottlenecks created due the varied laws applicable in the participating countries.

P. Stobdan in “*Significance of India joining the Ashgabat Agreement*” emphasised “India’s accession to Ashgabat Agreement will enhance connectivity within the Eurasian region and synchronise it with other regional transport corridors, including the International North-South Transport Corridor (INSTC) to facilitate trade and commercial interactions with the Eurasian region. He also highlighted the positive advantage of India’s accession to the Customs Convention on the International Transport of Goods Under Cover of TIR Carnets (TIR Convention, 1975), which is used for the international carriage of goods. TIR Carnets provides the principal security for the movement of transit cargo. It is an internationally recognised harmonised customs transit document that facilitates the movement of cargo across customs points from origin to destination. TIR facility is cost-effective, reducing administrative and financial burden for a transport operator, by replacing costly guarantees in each country of transit with one international guarantee”. (Stobdan, P. 2018)

Dwayne Menezes in “*The International North-South Transport Corridor (INSTC): India’s Grand Plan For Northern Connectivity*” was of the view that INSTC would be the “game-changer for India’s Eurasia policy” and “successful activation of the corridor will help connect India to Russia within 16-21 days at competitive freight rates leading to the development of trade”. (Menezes, D. 2018). The “Federation of Freight Forwarders Associations in India” conducted a study on INSTC and found that the route is, “30 percent cheaper and 40 percent shorter than the current traditional route”.

Also, in a study done by the Ministry of Commerce and Industry of India, they focussed on the dry runs that were conducted on the route covered by the corridor. It was concluded that the route that runs through Bandar Abbas to Russia could become the best route in terms of the time and cost perspective for both Indian importers as well as Indian exporters. The study also concluded that distance could also be increased for the transport of the goods if intermodal transportations are used. It also suggested that respective governments should work in coordination with other international organisations to make rapid progress towards the completion of the corridor.

As per **Centre for Trade and Advanced Research** report of 2017, it highlighted “in addition to INSTC to boost trade, both countries are also trying to put in place a ‘Green Corridor’ between the two countries for smooth facilitation of goods to enhance bilateral trade that has performed far below potential despite the strong political ties. The idea of the Green Corridor was mooted by Russia’s Federal Customs Service. It has proposed that the two countries create a list of entrepreneurs or companies whose goods, on a reciprocal basis, will not have to pass customs inspection during border crossings, and it will further help INSTC in its objective”.

Sanchita Chatterjee highlighted that after the success of India’s Look East Policy strategy, India started to work towards the Connect Central Asia Policy to enhance its energy relationship with the region, which India considers its extended neighbourhood. The region has always been an area of interest for India as it is an energy deficient country, and the region is rich in energy. Also, the unrest in Middle east region is quite common, and the region has become more attractive to India and its foreign policy. So, INSTC is an essential step in this direction for India as India can bypass Pakistan and also can fulfil its energy demand from the region.

Himani Pant, in her article “*India-Russia Economic and Energy Cooperation: The Way Ahead*” highlighted the importance of the INSTC in enhancing India and Russia’s energy as well as economic cooperation. She has argued that economic relations always remained the most crucial link between the two countries. Prior to 1991, the Soviet Union lent its support to India's development by helping it with the process of industrialisation, and this was crucial for newly independent India. In return, whenever asked, India also played its part as well. So, Pant concluded, “INSTC could play a significant role in enhancing the

economic relationship between the two nations as geography act as a constraint between the two nations”.

International North-South Transport Corridor (INSTC) is seen as a key to expanding investment and trade ties.

Melissa Cyril and Maria Kotova showed the potential benefit of INSTC for India and Russia. The corridor comprises of two parts-one, going north to Russia and allowing India access to Russia’s massive mineral and forestry resources, and the other going west through Iran, both achieving identical energy goals and preparing the way for a path into Europe. It will considerably boost Russian-Indian bilateral trade, and they are in line with each country’s collective development ambitions to promote this new corridor. With the establishment of an investment fund on a bilateral basis where investment is made by India’s “National Infrastructure Investment Fund” (NIIF) and “Russia’s Direct Investment Fund (RDIF)”, the two countries have already established financial investment ties aimed at facilitating high-technology investments for both the countries. To take advantage of this new trade corridor, logistics and allied transportation industries in both nations should consider establishing operations in either Russia or India.

India depends heavily on exports of hydrocarbons to meet its domestic demand. As it holds the position of one of the largest energy consumers in the world. Its rank is fourth in the world. India can use this route to import gas and oil from Russia, which can boost the trade between the two countries.

1.9.6 EAEU as an Engine in India-Russia Trade Ties

In 2012, Belarus, Ukraine, and Russia signed an agreement to coordinate “a broad range of domestic economic and trade policies, which finally led to the creation of Eurasian Economic Union (EEU) in January 2015”. After operating as a Custom Union for four years, it finally transformed into an Economic Union.

The EEU has been created to help its members to leverage their intraregional economic links, to modernise their national economies, and to provide an environment that enhances their global competitiveness. It is mainly centred on a single market for different goods and services and factors of production like labour and capital. It has the regulations, legislations, written rules, and procedures needed to operate a trade union successfully.

Amongst all the members of the EEU, Russia is the one that is lobbying hard with India to join the free trade pact with the EEU, which according to some experts would be a “great fit” for both the nations. The EEU-India agreement is part of Moscow and New Delhi’s plan to increase their bilateral trade to the level of \$30 billion by 2025.

FICCI in its survey report, highlighted that EEU as an Economic Union is constantly evolving. EEU has led to the formation of a common market of the Commonwealth of Independent States (CIS) members, and India can reap the benefit of this market of 170 million consumers. The report has highlighted that trade between the members of EEU and India is doing well, but there is a great scope of improvement. Also, there is a great scope for the increase in the investment flows between the two after the signing of the FTA. The most important note made by the survey is the focus on the tourism sector.

The tourism industry is a vital engine for promoting the country’s economic prosperity through its backward and forward linkages, and the same is true for India. Given its huge and diverse geographical area, India has vast potential for tourism. The same holds true for EEU. So, tourism can prove to be a significant tool in encouraging inclusive growth and in alleviation of poverty. It has a great capacity to provide large-scale employment of a different kinds. So, both can reap this huge benefit after FTA comes into place.

Chen and Jung emphasised that India’s withdrawal from the pan-Asian free trade agreement led by China was mainly because of New Delhi’s mistrust of China’s role, which developed from the concerns that cheap Chinese goods would flood Indian markets and be a detriment to Indian enterprises. This fear also developed due to China’s lack of investment in the Indian industries, which runs counter to Beijing’s interactions with India’s other neighbours, such as Pakistan and Sri Lanka, as well as countries in other parts of the world. However, the very same domestic Indian traders seem to be more relaxed in doing business with Russia or other members of the EEU, as the EEU is not perceived to be powerful enough to damage Indian manufacturers hold in their domestic market while still providing them the investment and market access.

Alexey Kupriyanov, a senior fellow of “Russian Academy of Sciences Institute of World Economy and International Relations”, in one of his lectures, stated that India and Russia have an excellent political connection, but they need a regular economic footing. This common footing will be provided by EEU. He drew the above conclusion by providing the

example of trade between Russia and Vietnam. Trade between Moscow and Hanoi increased significantly in the years after the EEU and Vietnam inked the trade agreement. So, in this light, Moscow and New Delhi might see the boom in their economic relations, which both the countries are eagerly waiting for.

Russia is India's largest trading partner among all the members of the EEU. The FTA can improve trade relations to a great extent through the removal of multiple tariffs and allowing for the hassle-free movement of commodities across markets. An FTA with the EEU will help India's economy, which is currently falling short of its FDI targets and experiencing a drop in its exports.

Given India's long history of friendly connections with Russia, particularly in present-day international politics, closer ties with the EEU can act as a solid mechanism to increase its footprint in the Eurasian region, boost its economy, and potentially diminish the Chinese dominance in the region.

1.10 Definitional, Rationale, and Scope of the Study

Multilateralism can be defined as the practice or exercise where two or more nations coordinate or sync their national policies, either through an institutional mechanism or through some temporary arrangements. It works toward binding the powerful nations and provides the platform to the small nations to voice their views and ideas and influence the policy-making and decision-making that they can't practice otherwise. Various multilateral forums such as BRICS, SCO, WTO, and INSTC have played a very crucial role in increasing the engagements between the two nations, and with the help of these, the two can also achieve the objective of increasing trade to \$30 billion by 2030.

The rationale behind this research is to understand the impact of multilateral forums on the economic relationship and trade movement between Russia and India. Furthermore, the most crucial fact that cannot be missed is that there is a relatively low level of investment flows and exchange in the trade that is happening between these two nations. Moreover, this only became the major weakness that is hampering the economic and trade relationship between the two major economies. Consequently, the economic engagement between the two have remained far below its potential despite the age-old friendship. Hence, in this context, the study attempts to understand the importance of various multilateral forums to enhance engagements between the two sides.

The study will focus on the period from 2000 to 2018 with special emphasis on the BRICS. The study will aim to analyse how in today's globalised world, multilateralism has affected the nature and trend of trade between the two nations.

The research is intended to open up further discussion with the Research Questions and Hypothesis highlighted below.

1.11 Research Questions

1. What is Multilateralism and how is the concept understood in the contemporary times?
2. What are the gains of trade realised by India and Russia in the period 2000-2018 on account of their engagement through different multilateral forums in which they both were members?
3. In particular, which multilateral forum has been the most effective in increasing the volume of trade between Russia and India?
4. Which side has benefitted more on account of these multilateral forum engagements?
5. How have multilateral forums impacted investment flows between the two countries?
6. How successful have these multilateral institutions been in removing trade barriers between India and Russia?
7. What are the possibilities offered by these multilateral institutions in enhancing the trade prospects particularly in the scenario of trade barriers being imposed by the key developed countries?
8. How has BRICS served as an important bridge between India and Russia to share their respective economic advantages?
9. How much trade in terms of both volume and value has increased for both Russia and India because of the free trade policies of WTO?
10. How can SCO be a game changer for India in relation to the economic aspects in general and energy exports in particular?

1.12 Hypotheses

1. Multilateral forums positively affect the economic relations between the countries by removing trade barriers, enhancing connectivity, and by providing opportunities for regular engagements within an institutional framework.
2. The increase in the volume of trade between India and Russia post-2000 is an outcome of active and regular engagement between these two countries in the various multilateral forums.

1.13 Research Methods

This study will be empirical-analytical in nature. The period spanning 18 years, covering the years from 2000-01 to 2017-18, is dealt with and is of focus under the study. The research will use deductive reasoning in an attempt to bring more generalisation through a detailed area-specific study. The theoretical part includes the understanding of multilateralism and its importance in international trade and the role of different multilateral organisations in affecting the trade and economic relations between Russia and India. Both primary and secondary sources will be consulted.

Secondary sources available and consulted for the study include periodicals, books, research articles, journals, internet sources, domestic and international newspaper coverage, mass media, unpublished paper, and insightful thoughts that were expressed by the known researcher working on the related topic.

Primary sources include surveys and reports by different government departments and Russian institutions and also include documents and reports published by the international organisations such as IMF and World Bank, reports of the Russian government, and private institutions. The study will use both qualitative and quantitative methods of data analysis.

1.14 Chapters

The Study consists of the following six chapters.

Chapter I-Introduction: Conceptual framework and review of literature

The chapter started with the introduction of the international trade and its importance in today's time of globalisation and how it is critical for economic growth since it produces

employment, profits, and encourages changes. Then different economists perspective on the international trade was explained, starting with the mercantilist followed by classical, Keynesians, monetarists, Neo-classicals, Neo-Keynesians, and so on. Then the chapters in detail explained the theory of multilateralism. And defined multilateralism as the practice or exercise where two or more nations coordinate or sync their national policies, either through an institutional mechanism or through some temporary arrangement. The chapter also established that as globalisation proceeds, the significance of multilateralism also increased as it contributes to the economic growth of a nation.

The chapter further proceeded by giving details of the relevance of the work by listing out the details of the literature review that was already done in the same field. So, in all, the chapter in detail focussed on the various international trade theories given by different economists and also on the multilateralism and looked at how multilateralism affected the international trade.

Further, the chapter provided with the definition, rationale, and scope of the study being undertaken. It further proceeds with the research questions that the study wants to find answers to. Then it detailed out the research methods that the study undertook. All the primary sources and secondary sources were mentioned in the chapter and also established the hypothesis, which is very relevant for the further study.

Chapter II-BRICS in the development of Russia-India Economic Relations

Chapter 2 in detail dealt with the establishment of BRICS as one of the important organisations to enhance the relationship between the two countries. From the chapter, it was established that BRICS doesn't exist in the form of a full-fledged organisation, but it exists in the form of the annual summit attended by the leaders of the five member countries, with the chairmanship rotated annually amongst the five members.

Then a broad overview of both the Indian economy and Russian economy was provided. It can be seen from the chapter that how India started from the socialist view of the market form, moved to mixed economic system. Chapter spanned the entire economic journey from prior to independence i.e., its economic performance during the entire British rule, then after the independence journey, 1991 reforms, etc. to the present.

The chapter also highlighted the economic performance of the Russian economy under its different Presidents and how it introduced the concept of the Five Year Plan in the world economy and successfully executed it. Then, the chapter highlighted the disintegration of the Soviet Union and showed the economic performance of its successor, Russia. And how it emerged as one of the developed countries of the present time.

The importance of BRICS for Russia and India is also highlighted in the chapter and also how these two countries are essential for the success of the organisation. The chapter also provided a historical overview of the economic relation between India and Russia.

Further, the chapter looked in detail towards the BRICS as an important international organisation as positively affecting the relationship between the two nations. As both the countries are among the founding member of the organisation, BRICS became as one of the most important bonds between the two countries. Further, the chapter explained that to what extent BRICS helped both the countries in increasing their trade and economic relations.

Chapter III-World Trade Organisation (WTO) and Russia-India Trade Ties

The chapter focused on the changes in the economic and trade relations between the two countries after Russia acceded to WTO. As India was one of the founding members, so, when Russia joined the organisation in 2012, how the trade was affected between the two is thoroughly dealt in the chapter.

The chapter gave an overview and background of WTO. Then the importance of WTO for India and Russia was undertaken. And finally, the chapter dealt with how Russia's gaining membership to the organisation affects both trade and economic relations with India.

Chapter IV-Shanghai Cooperation Organisation (SCO) and Russia-India Relation's future

SCO was another important forum of which Russia was one of the founding members, and India was the newest entry. And Russia is one of the SCO members that strongly supported the entry of India to the organisation, and because of the Russia's strong support, India got the membership. So, this is the new thread between the two countries that can increase the

cooperation between them. Therefore, chapter IV, in detail, looked the contribution of SCO in increasing the relations between India and Russia.

This chapter explained the origin of SCO, its structure, and its objective. This chapter also dealt with how SCO is important for India and how China is a factor between the two countries in the organisation.

It also briefly looked upon the future of SCO in the global arena.

Chapter V-International North-South Transport Corridor (INSTC) and Eurasian Economic Union (EEU) as the new engine for Russia-India Trade and Economic Linkages

This chapter started by highlighting the importance of transportation in the economic activities of the country. Then it gave the overview of the transport corridors and how they are managed. It further explained the concept of economic integration and its advantages for the economies. The chapter in brief also dealt with the five levels of economic integration. Economic Union is thoroughly defined.

The brief history of the international north-south transport corridor and its objectives are explained. It is followed by the reasons that why India is interested in the corridor and also provided the reasons for the interest of Russia in the corridor. Challenges that are coming in the execution of the corridor are also explained. According to the gravity model of economics, the size of the economies and distance between the two countries, to a very large extent, determine how much the two countries will engage economically. Though both the Indian economy and Russian economies are large enough but connectivity-wise both lagged. Therefore, in chapter V, the importance of INSTC for the trade growth between the countries will be taken up, and by how far the problem of connectivity will be resolved.

Then the focus of the chapter moved to Eurasian Economic Union followed by the India's role in EEU and Russia's role. And then the importance of EEU in enhancing the India's and Russia's trade relations was highlighted.

Chapter VI-Conclusion

The chapter summed up the findings of each chapter. All the research questions which were separately dealt in individual chapters, are answered in this chapter. Hypothesis is also tested and concluded here.

Chapter-2

Understanding the Role of BRICS in the Development of India- Russia Economic Relations

2.1 Introduction

The acronym “BRIC” was coined by Jim O’Neill in 2001 in his work “*Building Better Global Economic BRICs*,” during his chairmanship of Goldman Sachs, an asset management company¹. He coined the term to represent the set of the economies, which along with the United States of America (USA), will be the largest economies of the 21st century and are going to attract most of the investment. With the objective of taking this vision forward, leaders of the four countries, India, Brazil, China, and Russia met in 2006 in St. Petersburg, Russia, after the G8² summit to form a group. Finally, in September 2006, foreign ministers of these four countries met after the conclusion of the General Debates of the United Nations in New York and formalised the group. In 2009, following this meeting, in Yekaterinburg in Russia, the first summit of BRIC happened, which was attended by the respective leaders of the four-countries. The main point of discussion during the summit were about the steps needed to reform the global economic conditions, financial institutions reformation, and how the four member countries can cooperate in the future. BRIC was renamed BRICS in 2010 when South Africa formally joined the grouping. South Africa began the endeavour to join the group in 2010 only. China formally invited it to attend the 2010 annual summit, which happened in Brazil, and the other three members also agreed to extend the membership, and finally, South Africa became the formal member of the group. The South African leader formally attended the annual summit of BRICS as a member in 2011 held in Sanya, China.

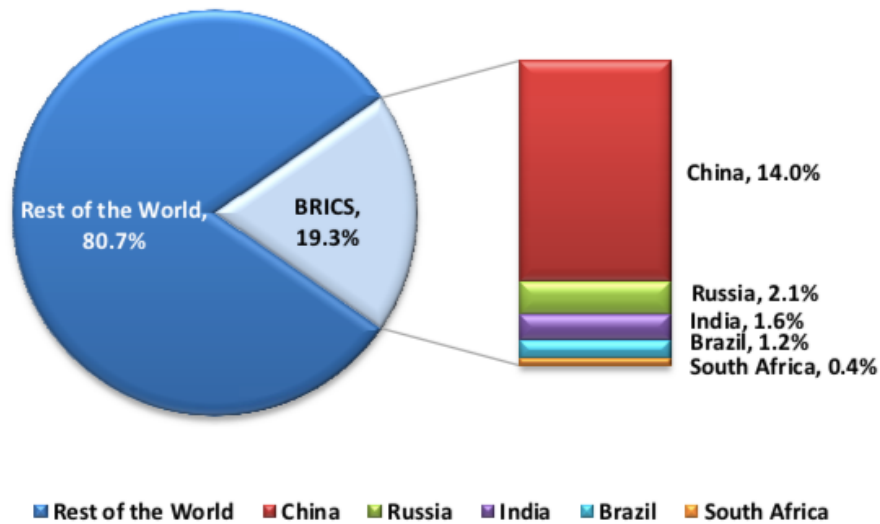
As of 2018 World Bank’s data, the BRICS countries share is 41 percent of the total world population and 29.3 percent of the land area. Also, in the case of the world population, its share is 42 percent, 24 percent share in the global Gross Domestic Product (GDP), and represents 16 percent share in the world trade.

¹ It is a corporation that pools client funds and invests it in a variety of assets such as shares, bonds, real estate, and other entities. AMCs are also known as money managers or money management organisations.

² The Group of Eight, formerly known as the Group of 7 (G7), is an international organisation that was founded in 1975 as a result of informal summit by the leaders of the world’s most developed countries (United Kingdom, Italy, France, Japan, West Germany, Canada, USA, and West Germany). In the discussion, Russia was also invited to the group in 1994, and thereafter, group came to be known as the Group of 8 (G8) or the “Political Eight”, with Russia becoming the formal eighth member in 1997. But when Russia occupied and annexed Crimean Peninsula, Ukraine’s autonomous region, in March 2014, it sparked an international crisis. Russia’s membership in the original Group of 7 (G7) was suspended permanently, effectively dissolving the bigger G8.

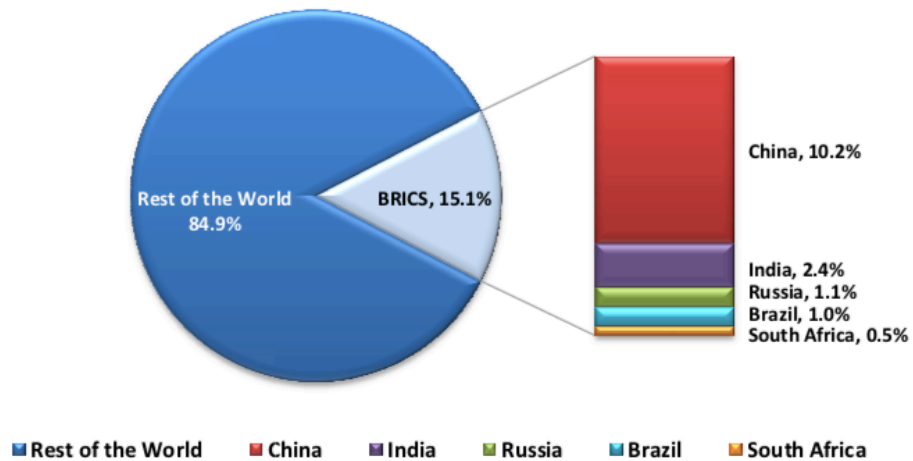
BRICS countries have a share of 19.3 percent in world exports and 15.1 percent in world imports.

Figure 3: BRICS Countries Export Share in the World Export



Source: Exim Bank

Figure 4: BRICS Countries Import Share in the World Import



Source: Exim Bank

BRICS doesn't exist in the form of a full-fledged organisation, but it exists in the form of the annual summit attended by the leaders of the five member countries, with the chairmanship rotating annually amongst the five members.

2.1.1 Why was BRICS formed?

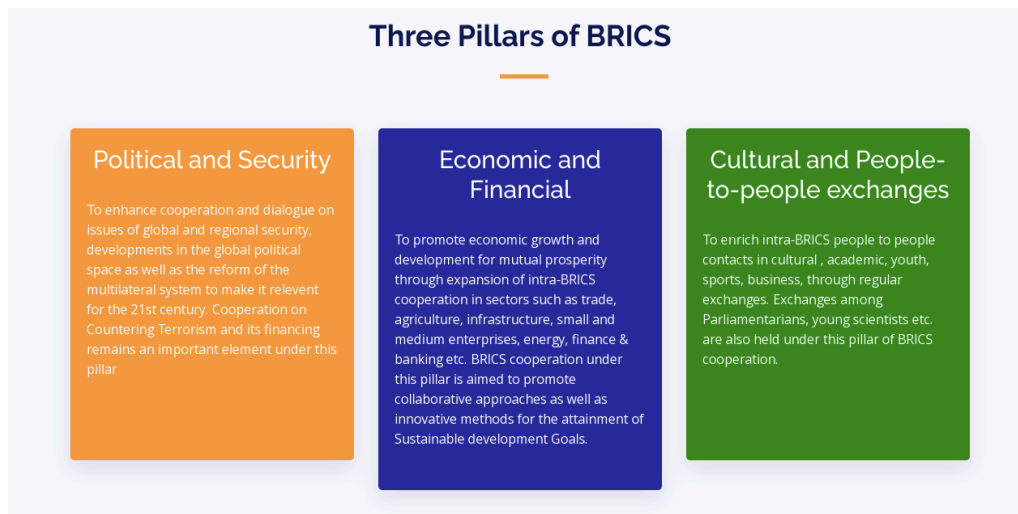
BRICS was constituted with two aims in mind: firstly, to challenge the supremacy of USA by becoming an alternative to the two institutions fostered by it i.e. World Bank and International Monetary Fund (IMF). Secondly, to provide one's own and self-administered organisation to carry out development and economic plans in the member countries without relying on other foreign organisations.

2.1.2 Objectives

BRICS has the following objectives:

1. To advance regional growth and development. To achieve more equitable and sustainable development, BRICS strives to deepen, quicken, and accelerate the cooperation within the grouping. Each member country also wants to accomplish other additional objectives including poverty elimination, development, and high growth rates. Furthermore, wherever possible, competition must be avoided between the member countries. So, encouragement of healthy competition among the member nations is another goal of the organisation.
2. BRICS also serves as a link between developed and developing nations.
3. The BRICS also established a platform for information sharing and exchange that goes beyond economic cooperation to include cultural, educational, and environmental engagement.

Figure 5: Pillars of BRICS



Source: BRICS India

2.1.3 Areas of Cooperation

Over the span of the decade from the formal beginning of BRICS, areas of cooperation covered by the BRICS grouping have significantly increased, and these areas of their cooperation were a defining feature of the grouping. Starting from the very first meeting in 2009, the BRICS countries have created more than thirty areas of cooperation. These are the most prominent areas: science and technology; finance and economy; health; innovation; business; security; and industry. Overall, these areas have resulted in a significant number of accomplishments for the group in general and society in particular by creating positive externalities for all the individuals living in the society.

1. Cooperation in the Economic and Financial Sectors

New Development Bank (NDB)

The fourth summit of BRICS laid down the setting stone for the establishment of the “New Development Bank (NDB)”. The summit took place in 2012 in New Delhi, and it was attended by all the leaders of all the five countries where the leaders discussed about the establishment of the bank to finance sustainable development³ and other projects related to infrastructure in all the member countries. It was also decided that the bank would finance

³ Brundtland Commission in “Our Common Future” defined it “as the development that meet the needs of the future generation without compromising the ability of the future generation to produce the goods and services”. It also means that the present generation should at least leave that much amount which they acquire from the past generation.

the development projects in other emerging and developing economies as well. For this, all the finance ministers of the member countries were asked to evaluate the sustainability, feasibility, practicality, and viability of the plan. Along with this, a joint working group was also convened to take up the additional research on the project. Both the parties i.e finance ministers and joint working group, were asked to submit a report in the next summit of the group that was going to be held in 2013 in Durban, South Africa.

In the 2013 Summit, after receiving the report from the finance ministers and the joint working group, leaders agreed to establish the New Development Bank. Additionally, it was also decided that the Bank’s initial financial contribution should be considerable and adequate to ensure its effectiveness in financing the projects.

An agreement was signed in this regard during the Fortaleza Summit, which happened in 2014, between all the five leaders of the member countries. The agreement finalised the establishment of the “New Development Bank”. The establishment of NDB allowed the grouping to achieve its most tangible accomplishments in terms of financial and economic cooperation. The Declaration also emphasised the NDB’s role in strengthening BRICS cooperation and complementing other international and national financial institutions in their efforts for the greater benefit of the world. So, in all, NDB will be contributing towards the goal of achieving sustainable, stable, and balanced growth.

NDB became fully functional on 27 February 2016 headquartered in Shanghai, China. The first NDB regional office is based in Johannesburg, South Africa.

Figure 6: Key Areas of Working of NDB



Source: NDB

The subscribed capital of NDB is US\$ 50 billion, and all the five members have agreed to contribute equally with initial paid-in capital of US\$ 10 billion, which will be paid in full by 2022.

Contingent Reserve Arrangement (CRA)

The agreement to establish the CRA was signed during the Fortaleza summit in 2014, and formally it came into being in 2015 after the ratification by all the five members. CRA plays a vital role by acting as a key vehicle for providing macroeconomic help to the BRICS countries. The arrangement is intended to provide financial support to its member countries at the time of a crisis in their balance of payment accounts.

As per the charter, “amount of US\$ 100 billion is set initially for the arrangement of which China has pledged US\$ 41 billion, followed by Brazil with US\$ 18 billion, Russia with US\$ 18 billion, India with US\$ 18 billion, and South Africa with US\$ 5 billion”.

In addition to the above two arrangements, i.e., NDB and CRA, there are working groups that were established to further enhance the financial and economic cooperation. They are:

- BRICS Bond Fund Working Group
- BRICS Public-Private Partnership Task Force
- BRICS Contingent Reserve Arrangement (CRA) Standing Committee
- BRICS Custom Co-operation Committee
- BRICS Heads of Tax Authority and Tax Experts Meetings

The share of BRICS nations in NDB is now increased to \$100 billion, in which every nation contributes \$20 billion equally. Whereas the share of each nation in CRA is different totalling \$100 billion. The following table given below shows contribution of the member nations.

Table 1: NDB and CRA Total Capital

Contingent Reserve Arrangement (BRICS)	Total Capital (\$100 billion)	New Development Bank (NDB)	Total Capital (\$100 billion)
Country	Capital	Country	Capital
China	USD 41 billion	China	USD 20 billion
India	USD 18 billion	India	USD 20 billion
Brazil	USD 18 billion	Brazil	USD 20 billion
Russia	USD 18 billion	Russia	USD 20 billion
South Africa	USD 5 billion	South Africa	USD 20 billion

Source: Indian Council of World Affairs

2. Health and Well-being

Health ministers from the member countries of BRICS met for the first time in 2011 and marked the beginning of BRICS health cooperation. Its eighth edition took place in 2018. It is in this area of collaboration that shared concerns have been identified and addressed, such as the lack of fair access to medical services and medicines and the prevalence of infectious diseases. The Tuberculosis Research Network, which strives to promote combined research and development initiatives in the battle against this illness, is an example of a tangible achievement in health cooperation.

Along with this, since 2012, BRICS countries have been speaking out on the sidelines of the World Health Assembly⁴ (WHA) and coordinating support for “the Doha Declaration on the Trade-Related Aspects of Intellectual Property Rights⁵ and Public Health (TRIPS Agreement and Public Health)” since 2001.

3. Science, Technology, and Innovation (STI)

The cooperation between the BRICS countries in three broad areas of STI is one of the most promising areas of engagement in the grouping. The dialogue regarding the subjects in the area began in 2014 with the first ministerial meeting, which concluded with positive outcomes in terms of knowledge exchange and the availability of resources for the research projects. Cooperation in this field is achieved through eleven working groups, which cover a wide range of areas such as biomedicine⁶, geospatial technology⁷, biotechnology, water resource management, research infrastructure and projects, etc.

⁴ WHO’s decision-making body is the World Health Assembly. This assembly is attended by all the members of WHO whose main agenda is prepared by the executive board. “The World Health Assembly’s key responsibilities include determining the Organisation’s policies, appointment of the Director-General, managing economic and financial plans, and reviewing and finalising the proposed budget for the programme”. Its headquarter is in Geneva, Switzerland where annual session of the organisation takes place.

⁵ It is a legal agreement between all of the WTO which requires them to regulate various types of intellectual property (IP) which will apply to other member nations. Intellectual property (IP) is a type of property that encompasses intangible intellectual creations. TRIPS also lay out the methods for enforcing the agreement, as well as for the solutions and dispute resolution. It mandates their protection and enforcement in a way that favours innovation in different kind of technologies, their transfer and dissemination for the benefits of both producers and users. All this should be conducive to the welfare, rights, and obligations of the people. Under TRIPS, members should provide copyright, geographical indications, integrated circuit layout-designs, trade names, industrial designs, patents, trademarks, new plant varieties, and undisclosed or confidential information.

⁶ Biomedicine is a discipline of medicine that focuses on the application of physiological and biological proposition to clinical actions. It emphasises on the treatment that is systematic and evidence-based and is verified via biological research and is delivered by professionally trained nurses, doctors, and licensed practitioners.

⁷ It refers to all of the technology that is accustomed to obtain, exploit, and stock the geographic data.

The potential for BRICS cooperation in STI includes the encouragement of research, especially that could result in the production of goods that have high technological value; the increase in patent requests from the member states; the establishment of technology parks; and the knowledge exchange between the nations. The primary goal of this collaboration is to achieve economic gains which result from innovation.

4. Security

In the context of cooperation on security, the regular meetings of National Security Advisors⁸ (NSA) of the member countries and working groups functioning to deal with the security issues serve as the primary point for BRICS security cooperation. During these meetings, members discuss and exchange critical information related to international security concerns and transnational crimes, which includes issues such as cyber threats, drug trafficking, corruption, money laundering, and terrorism.

5. Business

The Business Council and the Business Forum of the BRICS are the primary mechanisms for business interaction within the organisation.

In 2013, Business Council of BRICS was established, and during the Durban summit, the goal of council was put forward. It intends to bring the business communities from the five countries closer while also sharing knowledge and seeking out new business opportunities. In its current form, the council has nine working groups, each of which focuses on one of the following major subject areas: manufacturing, infrastructure, energy, financial services, agribusiness, regional aviation, and international cooperation. Further, it was also decided to create a working group on the digital economy as part of the council's organisational framework in 2018.

BRICS Business Forum is organised in the form of an annual conference organised by the Business Council Chair. It gives all member nation's business communities a platform to come together to discuss the main areas where they need the cooperation, to offer such recommendations that will enhance the trade amongst the member countries, and to provide the practical solutions to the industrial issues which member countries are facing.

⁸ NSA is the principle advisor to the head of the country on the matter regarding the national security.

6. Agriculture

The foundation of the “Agriculture Research Platform Coordinating Centre” at the “National Agricultural Science Complex (NASC)” in New Delhi in 2017 is considered as a significant success for BRICS in the field of agriculture. The Coordinating centre is expected to further the interaction of member nations for the purpose of information exchange and providing exposure as well as experience to new research in the field, innovations, training, technology transfer, and capacity building. It will also be used by the members to tackle the challenges faced by the sector like climate change, controlling new pathogens, pests, and invasive plants, encouraging value addition for development of nutritious and safe food and related products, sustainable resource utilisation, avoiding wastage in the process, and knowledge sharing among members.

7. Education

For education, a significant effort in the form of the BRICS Network University (BRICS-NU) was conceived that aims to engage twelve universities from all the five members for encouraging innovation and research in the field. The collaboration is mainly focused on five core areas that have been prioritised so that the member nations achieve the desired goals, and these areas are-a) communication and information technology, b) climate change, c) economics, d) pollution and water resources, and e) the BRICS study. As per the progress regarding the university, during one of the meetings in China in 2017, where the Governing board of the university met, the structure of the university was finalised. In addition, the idea of the BRICS University League was also developed. During the eighth BRICS summit, the leader of all the five-member countries gave their support to the university as well as the league. The leaders also embraced the creation of an action plan for working towards enhancing the cultural cooperation by establishing BRICS-

a. Alliances of Theatre

b. Alliances of Libraries

c. Alliances of Museums and Galleries.

2.2 Relevance of BRICS in Global World Order

In total, the BRICS countries together contribute 41 percent of the total world population and 29.3 percent of the land area. Also, in the case of global Gross Domestic Product (GDP) its share is 24 percent and it represents 16 percent share in the world trade. Also, these five nations share 19.3 percent of world exports and 15.1 percent of world imports.

BRICS countries significant involvement in the world share greatly benefit trade, world growth, and investment, which constitutes the three main pillar of the global order.

The global financial crisis of 2008⁹, as well as new challenges to the world economy caused by trade wars¹⁰ and economic sanctions¹¹, have left structural imbalances in the global economy that are yet to be addressed. New initiatives that support sustainable and inclusive growth and development have a better chance of success because of the growing contribution of BRICS to the global economy and the increasing importance of economic relations between the emerging market, developing countries, and the BRICS.

Global peace has been jeopardised by the unilateral departure of the US from the Intermediate-Range Nuclear Forces (INF) Treaty¹² and the Iran nuclear deal¹³. Since the BRICS countries are an essential component of a more just and equitable global order, they may help ensure world peace by participating actively in conflict resolution processes that adhere to the ideal of fairness.

⁹ The 2008 Global Financial Crisis began in December 2007 in the United States due to the emergence of subprime losses. Banks went bankrupt. With the loan losses, panic broke out in the interbank loan market and consumers started defaulting. Maximum of the world economies got into the grip of the crisis. This recession led to sharp drop in international trade, rising unemployment, and fall in the price level. The crisis led to the collapse of Lehman Brothers – one of the biggest investment banks in the world. In order to save the financial markets from further deteriorating, government bailouts of unprecedented proportions were required. It took almost a decade for the financial markets throughout the world to come to the normal. This has resulted in the loss of millions of jobs and billions of dollars of income.

¹⁰ It is a situation where one nation strikes back other nation by putting economic restrictions in place like tariffs, quotas, etc.

¹¹ It is defined as the cessation of ordinary financial and trade contacts for security and the foreign policy reasons. Sanctions can be wide ranging and restricting commercial activity across a whole country, or may be, it will be specific and is targeting certain enterprises, parties, or persons.

¹² The “Intermediate-Range Nuclear Forces (INF) Treaty” of 1987 was the outcome of sustained talks that took place between USSR and US, which mandate the destruction of all conventional and nuclear based launch missiles which ranges between 500 km to 5500 kms. The deal was historical in the sense that it was the first-time world powers accepted to phase down their nuclear arms and arsenal and along with this they agreed to conduct on-site verification.

¹³ The deal was signed between the permanent five of UNSC [US,UK,China,France, and Russia] plus Germany with Iran in July 2015, officially known as the “Joint Comprehensive Plan of Action (JCPOA)”. The nuclear deal envisages that Iran will phase down majority of programmes under its nuclear programme and also agree for on-site verification whenever needed by the officials from the IAEA, in lieu of removal of sanctions over it.

The BRICS countries have made a significant contribution to the reduction of global poverty. The elimination of poverty and the narrowing of global disparities are both dependent on continued growth of BRICS.

2.3 Overview of the Indian Economy

India's geographical location provides it with the resources for the development of its economy. In the North, it is bounded by the mighty Himalayas, which are the source of origin of many major rivers, including the Ganga. On the southern side, it is bounded by water on all three sides, with the Bay of Bengal in the East, the Arabian Sea in the West, and the Indian Ocean in the South. India also experiences a peculiar phenomenon called monsoon which provides rainfall over the region. So, the naturally gifted topography provides it with many advantages.

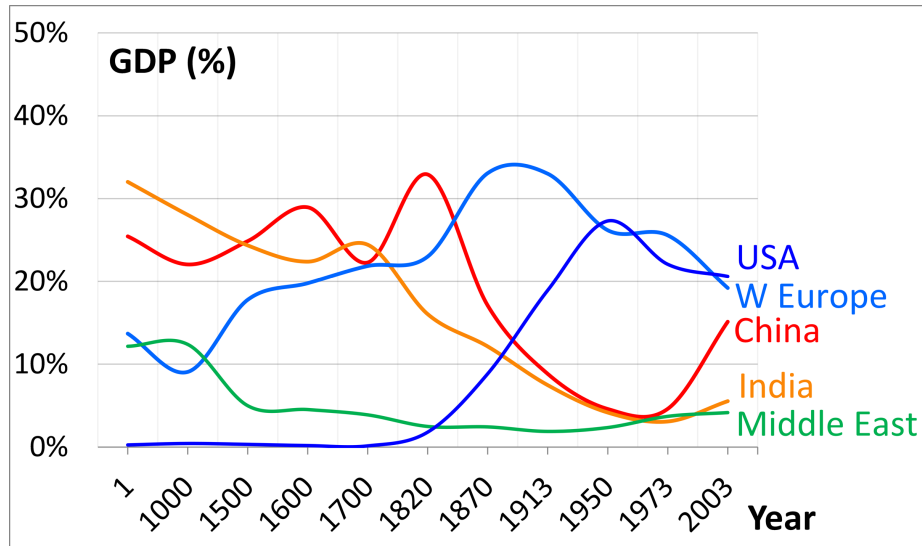
India was under the British rule for about two centuries before it attained its independence on 15 August 1947. Prior to the British rule, the Indian economy was an independent economy, with the majority of the population being dependent on the agricultural sector. Though a major share of the Indian economy, be its employment or contribution to Gross Domestic Product (GDP), was dominated by the primary sector but some manufacturing areas also dominated the world economy. India's handicraft and metal work were recognised in the world economy for their quality, uniqueness in design, and higher quality of craftsmanship.

Agricultural Sector was booming during that time. India was not only self-sufficient in producing the primary products but also had a lot to export. Many travellers who visited India during those times, like Francois Bernier, Jean Baptiste Tavernier, etc, mentioned in their accounts about the flourishing state of the Indian economy.

However, soon after India came under colonial rule, the economy started to see a deterioration. The primary policy of the colonial rulers was to make India the source of the raw material needed for their industries in Britain. Also, all the finished goods that were produced in Britain needed a market, so they saw India as a market for their finished products. The figure below shows how the GDP of India fell drastically during the period

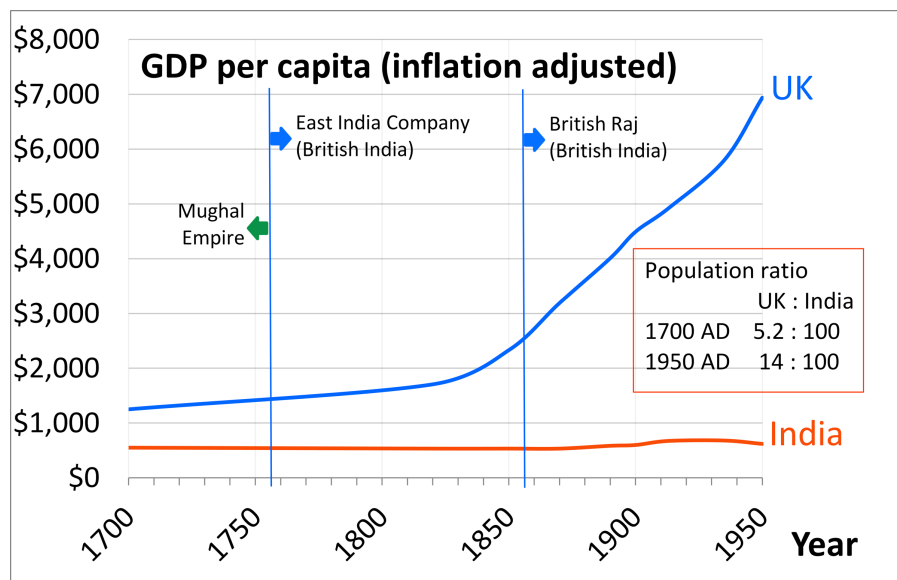
when India was under colonial rule (figure 7) and the stagnant GDP per capita¹⁴ during the period (figure 8).

Figure 7: GDP Figures Compiled by Maddison



Source: Wikipedia

Figure 8: GDP Per Capita



Source: Wikipedia

¹⁴ When GDP of a country's economy is divided by the total population of the country, GDP Per Capita is derived. It shows the economy's output per capita.

2.3.1 Agriculture Sector

Almost 80 percent of the population during the colonial period was dependent on the agricultural sector directly or indirectly. In spite of being the primary source of livelihood for almost the entire population, the agriculture sector during the British rule experienced stagnation and decline. Reasons for such a state of affairs were

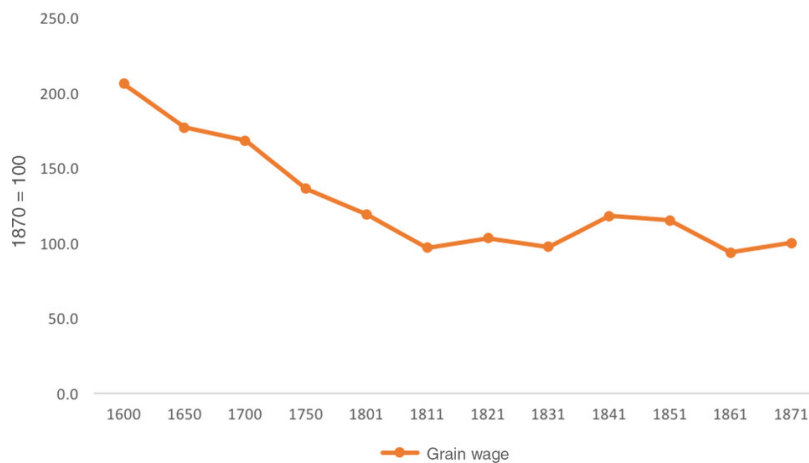
1. Different land revenue settlement systems were implemented by the Britishers which included Zamindari¹⁵, Ryotwari¹⁶, and the Mahalwari¹⁷ system. The Zamindari System was particularly damaging for the tenants. Under the system, the majority of the income earned by the farmers went to the Zamindars (the middlemen) and the Britishers, with little left for the farmers. This meagre amount was insufficient to be put back into the land for improvement, and this led to the deterioration of the land and accentuated the misery of the farmers.
2. Commercialisation of agriculture was another reason because of which farmers were forced to grow cash crops, and these cash crops were sent to Britain as a raw material. Prices paid to the farmers in exchange for these crops were very low, and the cultivation of these crops led to degradation of the quality of the land.
3. Low level of technological development in the sector.
4. No improvement in the irrigation facilities, which led to farmer's dependence on the monsoon.
5. Little or no use of fertilisers etc.
6. Wages paid to the farmers were very low, which can be seen from the figure below.

¹⁵ This system of land revenue also known as permanent land revenue system was introduced by the Britishers in 1793. It was the brainchild of the governor general of the time, Lord Cornwallis. Under the system, a middleman called Zamindar was appointed. Zamindars on behalf of the British government was responsible to collect that land revenue from the farmers and transfer it to the British government. It is known as permanent land revenue system because revenue fixed under the system remained the same permanently irrespective of anything.

¹⁶ This system of land revenue was introduced by Thomas Munro. Under this, British government directly collects the revenue from the riots i.e. cultivators of the land and under this system revenue will be revised after every five years. Under this system, position of the middleman was removed.

¹⁷ Holt Mackenzie introduced this revenue system in 1822 wherein the revenue is collected from a unit called mahal. This unit could be one village or group of villages together.

Figure 9: Wages Paid



Source: Wikipedia

2.3.2 Industrial Sector

Indian handicrafts were known worldwide for their quality, durability, and uniqueness. As soon as the Britishers came, they began with the process of deindustrialisation¹⁸. Handicrafts soon got displaced as the majority of the ruling class, i.e., kings gave patronage to the workers but later, these kings and royals were replaced by the Britishers, who withdrew the support to the local handicraft industry in favour of machine made goods from Britain. Britishers also didn't open any new industries to fill in the space created by the displaced industries, and this became one of the reasons that a sound industrial base didn't develop in India during the British Raj.

Britishers undertook the process of deindustrialisation to fulfil their two motives-one was to make India an exporter of raw materials for the industries, and secondly, to make India a market for Britain's finished goods. This process of deindustrialisation created a massive pool of unemployed in India and dragged many into poverty.

Few cotton and jute mills began to spring up in some parts in the latter half of the 19th century. In addition, one or two iron and steel manufacturing plants were established in the first half of the 20th century. However, no capital good industry was established. The capital goods industry is essential to support the industrial process of the country as these industries will develop machine, tools, etc, which are essential and acts as an intermediate good for the industries.

¹⁸ Deindustrialisation is a socioeconomic process characterised by the lowering or removal of the industrial capacity or operation in a nation or area, particularly in manufacturing and heavy industries.

One of the major setbacks of the industrial sector is that its development remained limited to certain areas, and those areas include railways, ports, communication, and power generation. These were developed only to provide benefits to the Britishers so that they could go ahead with their process of industrialisation. So, in all, the industrial sector remained underdeveloped during the British rule, and its contribution to GDP was very low.

2.3.3 Foreign Trade

From ancient times, India was one of the major trading nations. During the Indus Valley Civilisation (IVC), India had trading ties with Mesopotamia, Oman, Bahrain, etc. At the time of the Gupta period, India had trade ties with China, Ceylon, and South East Asia. Indian handicrafts, especially cotton and silk, dominated the world market.

However, after taking over India, Britishers adopted restrictive trade policies¹⁹, which affected both trade volumes and the foreign trade composition. Because of the trade policies adopted, India became the exporter of primary products like cotton, silk, indigo, etc, and an importer of finished goods, especially from Britain. Britain, for the entire period of its rule, maintained a monopoly over India's trading position and maintained itself as the only nation with which India had both major imports and exports.

The main feature of foreign trade during the colonial period was the generation of the export surplus. However, this export surplus was generated when the goods that were available in the domestic market for the country's residents were artificially made unavailable and, therefore, exported outside. Along with it, this export surplus did not bring any wealth back to India as it was flowing out in lieu of payments made to officials, war expenses, etc. It was one of the major components of the drain of wealth for India.

Furthermore, after the opening of the Suez Canal²⁰ in 1869, Britishers established more control over Indian foreign trade.

¹⁹ These are the policies which are opposed to the free trade by any mean like monopoly, restricting trade, distorting competition, etc.

²⁰ It is waterway that is artificially made to connect Mediterranean Sea with the Red sea. It run in the direction from north to south and separates Asian continent from the African continent. The canal also provides the shortest route from Atlantic Ocean to Indian Ocean.

2.3.4 Occupational Structure

Occupational structure means the distribution of the workforce between different sectors of the economy. The structure did not change much during the entire rule of the colonial government. The majority of the workforce i.e., around 70-80 percent, remained dependent on agriculture directly or indirectly, whereas the remaining i.e., 20-25 percent depended on industries for their living. So, the distribution shows that India remained backward for the entire rule.

So, by the time India gained its independence, the Indian economy was struggling hard to revive. Indian agriculture was facing the problem of the surplus labor following the deindustrialisation process. Productivity in the sector was very low because of almost zero technological development and farmer's dependence on the vagaries of the monsoon. Overall the sector was at its lowest. Not only this, the industrial sector was also moving almost parallel to the agriculture sector in its path of the development process. During the initial years of the post-independence period, the Indian economy was at its lowest and was entangled in poverty and unemployment.

After independence, the goal of nation-building came into India's own hands, and Indian leaders went for the mixed economic system²¹. In the mixed economic system, government and market work hand-in-hand to solve the three basic problems of the economy-What to produce, how to produce, and for whom to produce. With this, government went forward with the Industrial Policy Resolution²² and Five-year plan²³(FYP) strategies to revive the

²¹ It is an economic system where both public and private sector work hand in hand. Except for some areas, private sector is given free hand to provide goods and services to the public. Also, the sectors where private sector do not want to enter, government comes in to provide those services and goods.

²² Soon after India became independent in 1947, the search began for industrial development. In this regard, government of India came up with the IPR and the first IPR came in 1948. The Industrial Policy Resolution of 1948 outlined the important objectives of the policy and defined the government's role in industrial advancement as both the regulator as well as an entrepreneur. After this, came an extensive act known as the Industries (Development & Regulation) Act, 1951, which contains the required framework for implementing the IPR and allows the central government to make investment into the industrial activity which are very crucial in the nation's development through the licensing mechanism.

IPR has five main priority objectives: a) consistent productivity growth; b) increase employment; c) ensure maximum human resource utilisation; d) achieve international competitiveness; and e) change India into a major strategic player in the international market. To attain these goals, the strategy mainly focused on deregulating industries, permit them to quickly react to the forces with full flexibility and freedom, and finally establishing a regulatory regime that enables and promotes growth.

²³ Five-Year Plans (FYPs) are country's economic programmes that are controlled and integrated by the respective Union government. The concept of five year plan was first began in Soviet Union in the late 1920s by Joseph Stalin who enacted it. Since then, concept of FYP has been followed by the majority of communist regimes as well as a number of capitalist countries. Even India went with endorsing the five year plan to further its objective of economic development. Following independence, India's First Five-Year Plan

economy. Five-year plan was adopted to fulfil the following objectives of economy-self-reliance, growth, equity, and modernisation. India's FYP was inspired by the Soviet Union's FYP.

Various reforms were undertaken to reform the agricultural sector, and some of the prominent ones were-

a.) Land Reforms-Land reforms were introduced to remove the intermediaries like Zamindars and to change the landholdings ownership by making the tiller actual owner of the land so that they can make an active investment in the land, which not only helps in improving the land productivity but also actual tiller who was producing with his hard labor can reap the profits made out of it.

b.) Land Ceiling-Under this policy, government fixed the size of land holdings that could be owned by the individuals. Through this, government tried to reduce the size of landholding to a few hands and distribute it to many.

The major turn in agriculture came in the form of the Green Revolution, where farmers used HYV seeds, fertilisers, and India achieved self-sufficiency. Consequently, productivity in the sector increased.

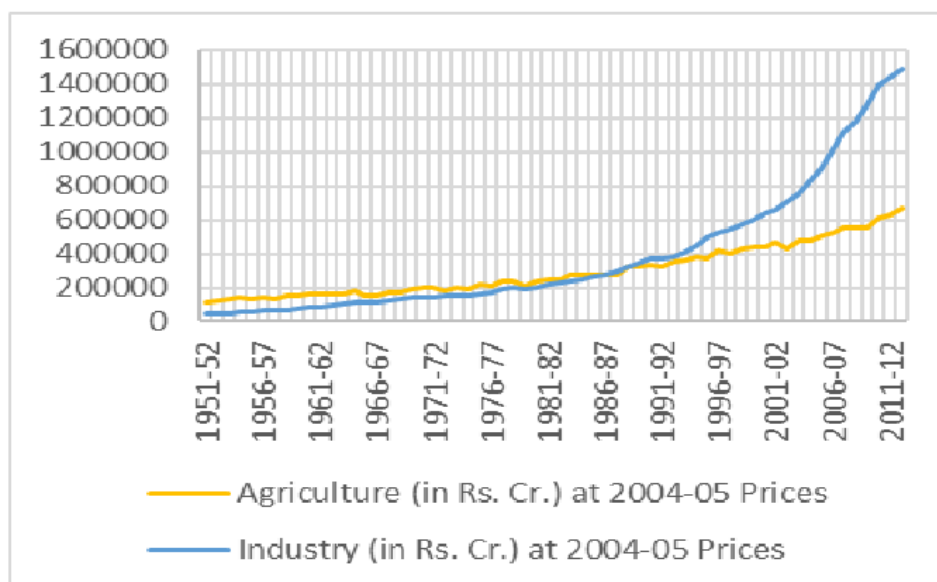
Any country's growth is highly dependent on its well-developed industrial base as it not only provides huge employment opportunity to the population but also enhances the prosperity and growth prospects of the economy. Because of this reason, the second FYP laid greater emphasis on the industrial sector, and planners adopted Industrial Policy Resolution (IPR) in 1956.

IPR classified Industries under three-heads-first being entirely under state control, second under private hands, and lastly under the control of both the public and private hands. The government came up with this classification because in the starting years following independence, private industrialists did not have much capital in hand and incentive to make the investment on the projects which have long gestation period, i.e., return from such projects will take time to be realised.

(FYP) was launched in 1951, by Prime Minister Jawaharlal Nehru. The operation begins with the formation of the Planning Commission in March 1950, and it was stated "in order to achieve the government's stated goals of promoting a rapid increase in the people's standard of living through effective utilisation of the country's resources, increased production, and providing opportunities for all to work in the community's service". With the first Five-Year plan began India's planned economic development.

In the first seven FYP, India followed inward-looking trade policy, also known as the import substitution strategy, where imports will be substituted by the domestically produced goods, and government will help these industries with the help of tariffs and quotas. This was particularly done to encourage domestic industries. As a result of such encouraging policies, the growth in the industrial sector showed a very encouraging trend and rose to 24.6 percent in 1991 from a mediocre growth of 11.8 percent in 1950-51 and the sector was much more diversified in 1991 as compared to 1951. So, in the first 45 years of independence, the Indian agricultural and industrial sectors took a giant leap and moved in the direction of development. Moreover, from the figure below, it can be seen how the agriculture and industrial sector picked up the pace from 1951 onwards.

Figure 10: Contributions (in Rs. Cr) of Industry vs. Agriculture Sectors Towards GDP from 1951-2013



Source: Semantic Scholar

However, in 1991, India faced one of its largest financial crises due to inefficient management of economic activities in the 1980s. The Indian government was spending hugely on the development activities, but in return, not enough revenue was generated, and this led to the huge government deficit²⁴. This deficit forced the government to borrow either from the banks, public, or international financial institutions. In addition to this deficit, inflation increased in the period of the 1980s. The government was not able to raise

²⁴ Government deficit refers to the situation when the revenue collected by the government is not enough to cover its expenditure.

much revenue, and income coming from the government public sector enterprises was also not enough to cover its expenditure.

As a result, India's foreign exchange reserves began to fall, and its import cover²⁵ fell down to 14 days. In addition to this, India didn't have much foreign exchange reserves to pay the interest on money that it was borrowing. In this situation, India moved to IMF and WB for help. Institution agreed but, in return, wanted the Indian economy to liberalise more. Therefore, under the pressure of its financial situation, India announced its New Economic Policy (NEP) in 1991.

A significant shift in the Indian economy occurred with the implementation of a new economic policy in 1991. As a result of this policy, the government implemented numerous reforms and implemented numerous radical policy changes. Many industrial sectors were freed from government monopoly control.

Prior to 1991, the most critical industrial sectors were mainly air travel, iron and steel, shipbuilding, heavy machinery, communication, and telecommunications, and they were mainly under the government control. After the policy was implemented, private players were given a clear path to enter into these markets. Some of the features of NEP are:

1. Abolishing the Licensing Raj

For a long period of time, private players were required to obtain government licences before starting a business in any sector of industry, but that was no longer the case after 1991. Sectors such as alcohol, dangerous chemicals, cigarettes, drugs and medicines, explosives, and tobacco are examples of those that required licensing.

Public sector companies have sold their government-owned stock to private investors.

The new economic policy obligated the government to relinquish its control over the commercial enterprises. So, the government sold its shares in public sector companies. The government made significant monetary gains as a result of privatisation, which allowed it to close its massive deficits and clear its mounting debt.

²⁵ Import cover measures "the number of days/months of imports that can be covered by the foreign exchange reserves available with the central bank of the respective country".

2. Reforms in the Financial Sector

Similarly, to the industrial sector, the Reserve Bank of India (RBI), which is the Central bank of the country, also ceded much of the financial sector's power. There is now the possibility for private banks to operate in the country. To keep account holders safe from financial mishaps/bank runs, the RBI strictly regulated specific central aspects of the financial sector.

3. Foreign Direct Investment²⁶ (FDI)

After the NEP, India's FDI policy also matured. As a result, foreign companies could now enter the Indian market with ease. 51 percent stakes of the domestic companies could be purchased, which was earlier not allowed.

4. Taxation Reforms

NEP also restructured the country's tax code²⁷. One way it helped the people was by lowering the tax rate, and secondly, by bringing many sectors under the Central list, that were taxed earlier under the jurisdiction of the state government.

5. Reforms in the Import-Export Industry

A broader range of products was made available to the businesses after 1991. The openness of trade allowed citizens to benefit from high-quality imports from other countries. The domestic firm's monopoly was broken, and commodities prices fell as a result. Import taxes were lowered, which made things cheaper for everyone.

6. Globalisation

Foreign products and players entered the Indian market, allowing Indian society to experience the benefits of globalisation. There was a noticeable increase in the number of Indian business people, students, and politicians who were exposed to the world's best opportunities.

²⁶ FDI is the acquiring "stake in a firm by a corporation or investor based outside of the country's boundaries. In general, the word refers to a commercial decision to buy a significant stake in or buy a foreign company completely in order to expand its activities to a new territory".

²⁷ A tax code is a central government document that specifies the laws that individuals and corporations should obey when remitting a share of income to the government.

7. Privatisation

Private players stepped in to take over public sector companies after the government withdrew its investment. Previously government-controlled companies became more disciplined as a result of the involvement of private parties. High-quality services provided by private companies benefited the general public.

The state of India's economy significantly improved by the turn of the twenty-first century because of increased financial liberalisation and reduction of state control. Life expectancy, food security, and literacy have all risen as a result. From 2003 to 2007, "India's economy grew at an average annual rate of 9 percent". The "Global financial crisis (GFC)" of 2008 somewhat slowed down the growth rate of the economy, and the crisis not only affected India but also captured most of the economies around the world with its adverse effects. Nevertheless, India came out of the crisis soon, which led to the consideration by most economists that India could be a rising economic superpower that is going to have a significant effect on the economies on a global scale in the twenty-first century.

During the second half of 2012, India's economy grew by only 5.6 percent. Additionally, a weak Indian rupee, a widening current account deficit²⁸, and sluggish industrial growth emerged. In 2013–14, India's GDP growth rate increased from 5.6 percent to 6.4 percent. Through the years 2014–15 and 2015–16, the acceleration was sustained with the rate of growth of 7.5 percent and 8 percent respectively. For the first time since 1990, India's economy expanded faster than China's, at 6.9 percent. It subsequently slowed down to 7.1 percent in 2016–17 and 6.6 percent in 2017–18 because of the 2016 demonetisation²⁹ and Goods and Services Tax³⁰ (GST).

The "Ease of Doing Business report (EODB)" published yearly by "World Bank" "ranked India at 77 out of 190 countries in its 2018 edition, an increase of 53 points from the 2011 report, which was the first report in the sequence". Major initiatives taken by "Department

²⁸ It is a situation when a country's imports is greater than what it exports.

²⁹ Demonetisation is "the process of removing a monetary unit's legal tender status". The present form of money is withdrawn from the circulation and is replaced with the new currency as per the authorisation given by the union government.

³⁰ The "Goods and Services Tax (GST)" is a form of indirect tax that applies to both the goods and services. It is an indirect tax that was implemented to supersede a variety of other indirect taxes such as service tax, VAT, service tax, excise duty, etc. GST is a tax applied in the India on the supply of goods and services. It is a single tax that is imposed across the country. It was implemented to promote One Nation, One Tax concept.

of Industrial Policy and Promotion (DIPP)” at the state-level helped in the improvement of the overall ranking in EODB.

The growth rate of India’s GDP has slowed dramatically, from 8.3 percent in 2016 to only 4.2 percent in 2018. Some experts believed that India’s 2016 banknote demonetisation was the catalyst for the country’s slowing growth. But still, currently, India’s nominal GDP places it at number six, and as per purchasing power parity (PPP), it is placed at number three in the world. Also, by 2025, India aspires to become a \$5 trillion economy.

2.4 Overview of Russian Economy

The Union of Soviet Socialist Republic (USSR), which was in existence from 1922 to 1991, was Marxist-Leninist State ruled by the Communist Party, and its economy was highly centralised. The Russian Revolution of 1917 sowed the seed for the establishment of the USSR, the revolution ultimately weeded out the Russian Empire, and then, under the leadership of Lenin, Bolsheviks overthrew the provisional government and established the Russian Socialist Federative Soviet Republic (RSFSR) and then began the civil war between pro-revolution red and counter-revolution white. The Communists won the civil war in 1922, laying down the foundation stone of the Soviet Union.

After the end of the civil war, the economy went through a period of stagnation. Peasants did not want to produce in surplus as the government would seize the extra produce. So, if government wants that country to not to starve, they then have to provide incentives to them that were not there earlier. New Economic Policy (NEP) was introduced during this time. A significant point of NEP is: to permit peasants to sell in the market after giving a certain amount to the government as tax, industries were encouraged to produce goods that peasants could buy, private trade was allowed, and a stable currency was established. NEP encouraged the reemergence of the rich peasants. Poor peasants produced for themselves and Kulaks for the market, and this was the essence of NEP, and it also strengthened the central authority of the Communist Party.

In 1924, Lenin died, and Stalin came to power. He initiated a centrally planned economy, as a result of which the country went through rapid industrialisation. Stalin inherited NEP from Lenin. Furthermore, the major turn was in the form of the Five Year Plan (FYP), which he introduced in 1928. The Five Year Plan was a string of plans by the central authority in power in the Soviet Union. There were 13 FYPs in total.

2.4.1 Five Year Plans: An Appraisal

-First Plan: 1928-32

Under this plan, Stalin persuaded the policy of collectivisation of agriculture i.e. farmer, instead of working on their private lands, joined their lands, and worked collectively on that land. It was argued that, through collectivisation, they could achieve division of labor and, therefore, the efficiency. Stalin did this to promote rapid industrialisation. This was done majorly to improve the efficiency of agriculture, remove the Kulaks, and for the improvement of the status of peasants.

This plan helped USSR to emerge as a leading industrial nation. Before the initiation of this plan, the Soviet economy ranked fifth in terms of industrialisation in the world, and after this plan, it moved to the second position, only behind the USA. Hansen S. (1997) highlighted, “during this time, the industrial workforce rose from 3.12 million in 1928 to 6.01 million at the end of the plan in 1932”. This showed the achievement of this plan which it acquired in less amount of time. Riasanovsky (2011) also highlighted “the plan was also referred to as the “Great Turn””.

-Second and Third Plan: 1933-41

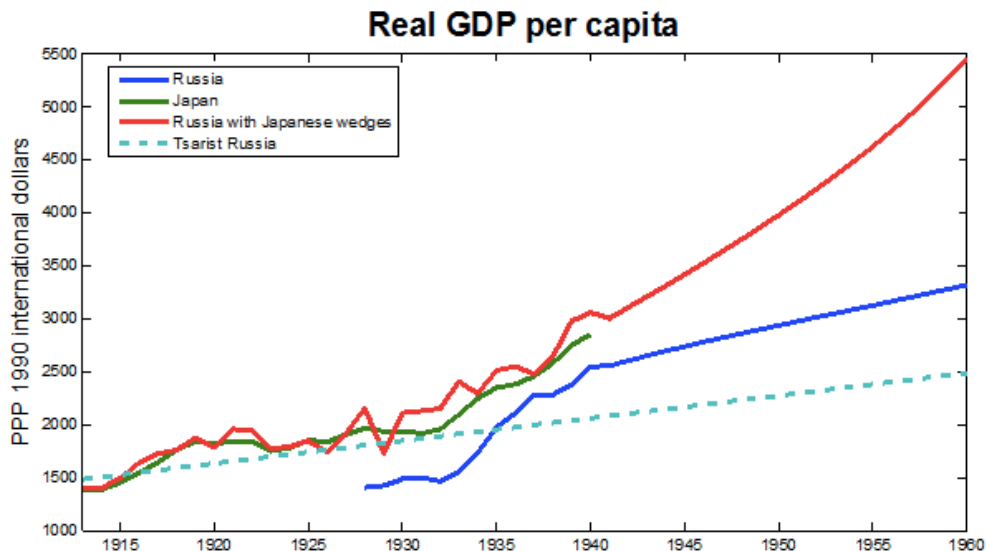
The state went ahead with this plan because of the successful outcome of the first FYP. This plan gave importance to the heavy industries, communication, and railways. But this plan was not so successful. The third plan was there for only three years. During this plan, more money was put into maintaining the army, weapons, and construction of the factories for the military purpose to be maintained in the east of the Ural Mountains due to the German invasion of the Soviet after the Second World War.

-Fourth, Fifth, and Sixth Plan: 1945-60

Due to huge investment during Second World War for building the defence and military services, these plans were not proved successful as compared to other last plans. Also, the country was facing huge labor shortages during this time. In addition to all these, 1946 was the driest year, and agricultural production took a critical hit. After Stalin, Nikita Khrushchev came to power, and he initiated technological advancement and led economy to the high growth path. The sixth plan, along with carrying out wage reforms, also put forth some policies such as nationalisation, the creation of minimum wage, and producing consumer goods so as to improve the living standard.

The below figure shows how the Russian economy performed under Stalin, and it can be seen from the blue line that under his presidency, Russia's GDP Per Capita was rising.

Figure 11: Russia's Economy Under Stalin



Source: CEPR

-Seventh Plan: 1959-65

This plan stands apart from other plans as it covers a period of 7 years instead of five. It covered the period 1959-1965 and was notable as it involved an aggressive strategy of preserving the USSR and marking the emergence of Communism on the map of the world. USSR hoped to achieve its goals, which included, laying down a solid foundation to further its economic and defence prowess. Furthermore, it also sought to meet the material and spiritual requirements of the Soviet people.

According to President Khrushchev, these seven years marked the ambition of the USSR because during these years, USSR planned to move ahead of its competitors like the UK and West Germany in per capita output and also surge ahead in terms of the products competition. The control figures referred to in Khrushchev's report were quite stunning "The strategy to raise gross industrial production by 80 percent, engineering production by 100 percent, the output of electric power by 120 percent, and that of the chemical industry by 300 percent".

The plan stated to increase the share of gas and oil from 31 percent to 51 percent in the country's fuel and power sector and simultaneously gave a push to electronics and electrical engineering, along with the production of atomic power. It also set the targets for various categories of light industry, such as consumer durables which contains things like television, washing machines, and refrigerators. The total real income of collective farmer's and workers was supposed to increase by 40 percent. The plan also provided for the construction of millions of houses and flats in different categories of towns and villages. Along with this, a seven-year defence plan was also laid. This was the period of significant economic growth in the Soviet Union.

-Eighth and Ninth Plan: 1966-75

Most significant and the only achievement made during this plan was the doubling of the grains exports. The primary focus of the ninth plan was to increase the production of consumer goods and simultaneously improve the standard of living of the Soviet people by increasing the amount of consumer goods. Raymond (1994) and Beissinger (1988) argued that while largely failing at that objective, it managed to significantly improve Soviet computer technology.

Khrushchev, during this plan took myriad of reform pertaining to the price cuts, labour laws that deals with the forced labour, and also laws for the private land restrictions to give thrust on the economic front. Khrushchev started "The Thaw" known as Khrushchev Thaw, during his era. Thaw is defined as a complex shift in the political, economic, cultural, and social life of the Soviet Union. It includes:

- Improving trade and other relations with other nations;
- New economic and social policies with a focus on the commodity goods;
- Attaining higher living standards;
- Relaxation of censorship and,
- The inception of anti-religious campaigns.

The problem of Soviet agriculture was the major focus area of Khrushchev. So, he introduced his famous Virgin Land campaign. Under this campaign, large tracts of land were opened for farming. The state urged peasants to cultivate crops on private lands and raise the monetary value of the crops grown. Also, the state was investing a lot in the agriculture sector. The major decision taken by him was the decentralisation of the

industries. There was a significant contrast between the rural and urban areas of the Soviet, which, for the first time, was recognised by Khrushchev.

Villages were relatively primitive, and urban areas were more developed. Khrushchev was the first leader to tackle the division of country between the educated urban nations and old, neglected, and oppressed rural nations. Khrushchev also laid great importance on livestock breeding. Furthermore, he was pretty successful with his vision to develop the rural part.

In 1964, Khrushchev was replaced by Brezhnev. He decentralised decision-making in the industries. Individual firms could make their own decisions on the level of production based on the prevailing prices. Industrial production rose rapidly. In spite of the bad harvest in 1972, agricultural production rose rapidly. Along with this, the construction of the natural gas pipeline to Germany leads to economic expansion. Inefficiency and corruption in the government were very rampant during this time.

The Tenth Plan was initiated by Brezhnev. The Tenth Five-Year Plan spanned the period from 1976 to 1980. Officially the plan was referred to as *The Plan of Quality and Efficiency*. The central focus of this plan was the renovation of enterprises and technological innovation.

The death of Brezhnev in 1982, and in quick succession, the death of his successor Andropov in 1983 disrupted the process of reform, as they had campaigned extensively and vehemently against absenteeism and alcoholism throughout the nation. Later the reform movement was continued by Cherenkov and Mikhail Gorbachev. The government was succeeded by Cherenkov, who was President for a year, and then in 1985 came Mikhail Gorbachev. Twelfth (1986-90) and the last thirteenth plan (1991) were introduced under his tenure. The thirteenth plan was there for only a year because of the dissolution of the Soviet Union.

The dramatic fall in the oil prices in 1985 and 1986 greatly influenced the Soviet leadership. As the Russian economy is an export-oriented economy, therefore the prices of oil and gas affect the decisions made by the government (subsidies related, expenditure related, etc.) and, therefore, also the leadership. Stagnation in the economy was a common phenomenon because it was continuously importing grain throughout the 1970s from the USA, and a huge chunk of the economy's expenditure was going into maintaining the defence

capabilities. Gorbachev, immediately after his appointment, started appointing the younger generation almost in every portfolio.

Seven areas which Gorbachev confronted were:

- i. The public should be informed of all that is going in all the spheres. According to him, this will help for new reforms;
- ii. The next areas which Gorbachev considered to be of the significant hindrance toward the economic reforms and sabotaging the economy was the bureaucratic control and the command economy;
- iii. Ethnic problems in the country;
- iv. Stagnation in the economy;
- v. Military overstretch leads to a deep military crisis. Huge defence expenditure was borne by the economy. To resolve all these, Gorbachev started deideologisation, disarmament, and confidence-building with the West;
- vi. Single political party, i.e. communist party. Domination of Communist Party of Soviet Union (CPSU) in the political sphere;
- vii. Backward rural economy and stressed agricultural economy.

He commanded the economy through his programs of:

Glasnost-openness; calling for the increase in trade with another country while removing the opaqueness in the working of government institutions and activities of the USSR. It provides Soviet citizens to discuss openly about the problems of society and also about the Russian government. According to Alexei Simonov of the Glasnost Defence Foundation, "Glasnost is a tortoise crawling towards freedom of speech". It was aimed to reduce the corruption of the Communist Party and from the government. The main aim of Glasnost was to make the administration answerable to the public.

- **Perestroika**-restructuring; it is the political movement to bring reforms within the communist party and in the Russian economic system. Mark Kishlansky stated that the objective of Perestroika was to make socialism work in the USSR, rather than ending the regime of the command economy.

- **Demokratia**-direct democracy.

When Gorbachev announced these programs, the Soviet economy was suffering from both hidden inflation and supply shortage, which led to black marketing. Also, there was massive corruption in the economy. Many analysts of the time also said that corruption was one of the constant issues in the Soviet Union, and which also continued in Russia. Many also believed that corruption has become their way of life, and there was no sector in the economy which remained untouched by the corruption.

“Legal Nihilism” is the term used to characterise the Soviets as well as Russians, which meant that during Tsars and even before, they had little respect for the prevailing laws due to arbitrariness and bizarre. There were hardly any codified laws as such, and the despotic ruler arbitrarily used the laws. Some also argued that the moral consciousness of the Soviets was loose as compared to the westerners. The term “Legal Nihilism” was used to show people’s mentality of being skeptical toward law and order. This term was mainly used in the Perestroika period to brand the legal tradition.

Glasnost resulted in various kinds of reforms pertaining to the free speech, which resulted in less control over the press. The process of democratisation led to the release of the large number of political prisoners, and it also envisaged a multi-candidate election process.

Relaxation under Glasnost led to the loosening of absolute control over media by the communist party. The media started to uncover social and economic problems that USSR needed to address. The troubles of the social life in Russia started surfacing. This eroded the Communist Party’s social base. The reforms led by Gorbachev led to the destruction of the old Soviet system and, consequently, the fall of the communist government. The reform led by him broke the tight control which engulfed the entire regime earlier. Perestroika involved decentralisation of the economy, under which, all the satellite states³¹ were proposed to accept financial autonomy. On the other hand, Glasnost allowed discussing the sensitive aspect of Soviet history to be reconsidered, like releasing political prisoners and intervention in the internal affairs of the eastern blocs.

Many believed that methods that were used to reform the Soviet ultimately led to its demise and finally led to the breaking up of the USSR into fifteen independent republics. The dissolution of the Soviet Union resulted in the birth of the Russian Federation. Russian Federation was proclaimed as the descendant of the USSR, and it replaced USSR in all

³¹ A country which is independent but is under the influence of another country in almost all aspects-military, economy, polity, etc.

international organisations, and accepted Soviet treaties and obligations. Russia emerged with the promise to establish a democracy based on the rule of law and also transition toward a market-based economy. Boris Yeltsin, in June 1991, was elected to the newly created post of President. He was elected again for the post of President in 1996. The new constitution, which came into effect, gave more powers to the President, whereas Parliament had limited choices.

The transformation of the Russian economy from a state-controlled to a free market economy was the key agenda of the new Russian regime. IMF initiated a lot of reform initiatives to completely reform the Russian economy even before its collapse, and in the 1990, in a meeting in July, the G7 nations leader and European Economic Community³² (EEC) asked IMF and other institutions to study the economic system of the Russian economy and propose some better reforms that will help the economy in transformation.

The IMF and World Bank suggested some of the essential steps which would instantly transform the economy into a free market economy, and this program was popularised by Jeffrey Sachs, and the model was called “Shock Therapy”.

Shock Therapy has the following key steps for the transformation of the Russian economy:

- (i) Total shift to the capitalist structure and weeding out any institution or structure devised during the USSR period;
- (ii) Each State from the former bloc to be linked to the Western world;
- (iii) The Western states would be the leader and thus guide and control the development of former Soviet and East European blocs through multilateral agencies;
- (iv) Development through trade-led growth;
- (v) Financial deregulation, currency convertibility, open trade, and free prices are the essential components of the transition;
- (vi) Making private ownership the dominant pattern of ownership in the USSR;
- (vii) Decollectivisation of agriculture and breaking up of the collective farms is the key agenda, and,

³² It was a regional organisation whose goal was to integrate its member states economically. It was established by the Treaty of Rome in 1957. European Union came into existence in 1993 by absorbing EEC into it. After the absorption EEC, it came to be known as the European Community (EC).

(viii) Openness to Foreign Direct Investment (FDI) as the main engine of the change.

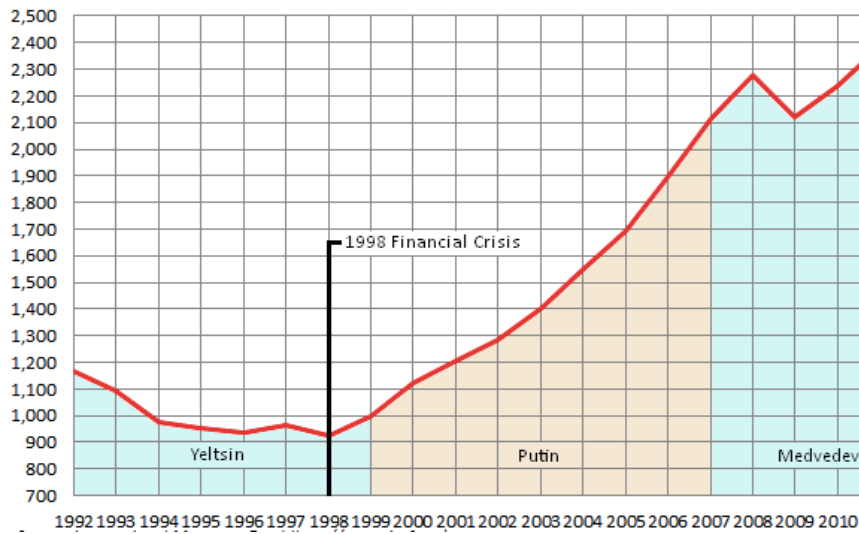
The main feature of the shock therapy was its suddenness. No debate took place during the adoption of the above-mentioned model. Furthermore, at that time, economic change was seen as the precursor to the political change. In 1992, only after a few days of disintegration, Yeltsin announced privatisation program and removed the control over prices. Also, the fate of industries was left entirely to the market forces. During this time, the prices rose suddenly, and output fell overnight. This led to the debate between Yeltsin and the Parliament, which asked for the slowing down of the economic reforms.

The first phase of the privatisation was marked by the struggle between the Yeltsin's immediate economic reforms and Parliament asking for the slowing down of the reforms. Due to this pressure from the Parliament and in order to carry out the privatisation process further, a voucher system was introduced. A large amount of the government property was gone to the private hands. The second stage of the privatisation was through the cash auction of the industries. This phase was characterised by the gradual inflation and deepening of the black economy. Many investment schemes collapsed.

Also, privatisation of agriculture was one of the agendas of the new Russian government. However, this step led to a disastrous fall in the output level. In order to develop the agricultural system, a strong state was needed to play a proactive role. Reformers believed that only after removing the state control over the economy, actual reforms could be initiated. But nothing like this happened in the Russian case. The banking system became weak, illegal transactions increased, social order was disrupted, and agricultural and industrial output collapsed. Public protests grew, trade unions were organising rallies, and the working class was also against it. Real GDP fell by more than 40 percent, hyperinflation wiped the personal savings, and crime and destitution spread rapidly. Difficulties in the collection of government revenue and over-dependence on the short-term borrowings to finance the budget deficit led to the decline in the value of the Rouble, and all of this led to the 1998 Russian crisis.

The below figure shows how Russia soon recovered itself from the fall.

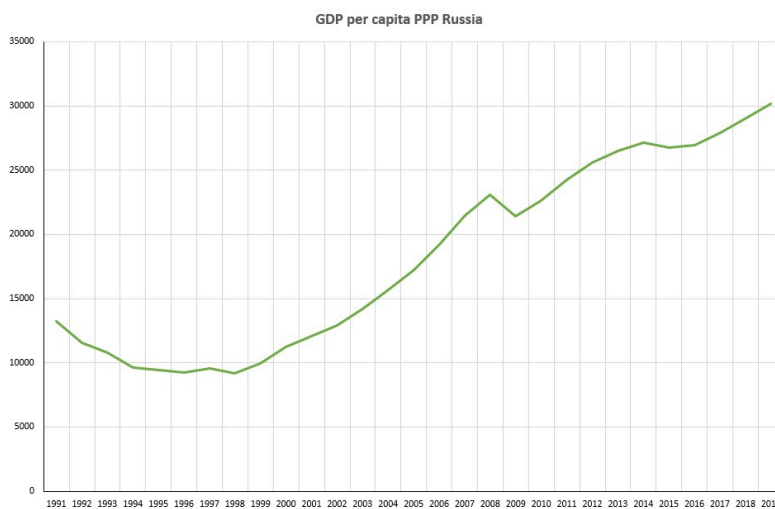
Figure 12: Russia's GDP from 1992-2010



Source: Wikipedia

Russia recovered itself from the crisis very soon, and this was the most impressive achievement of the economy. This was achieved by devaluing the Rouble, and a significant factor behind the recovery was the improvement in world oil and gas prices. The figure below shows the situation of the Russian economy from 2000 to the present through a bar diagram. Furthermore, it is clear from the diagram that the major economic downturn faced by the economy was from 2008 to 2010, and after that, it started improving.

Figure 13: GDP Per Capita



Source: Wikipedia

2.5 BRICS and India

BRICS first summit was held in 2009, and at that time world economy was grappling with the global recession that started in 2008. Because of its economic strength at the time, India played a very significant role in trade facilitation, which covered not only the South-Asian countries but also many African nations. Forum's observers and economists proclaimed India to be the strongest and one of the best-performing economies that proved to be a significant growth engine for the entire region.

Not only this, India took a number of initiatives to enhance trade with the members. India suggested setting up the BRICS portal that will be open to all the members. Under this portal, if any of the member countries change any of its conditions of import and export license, or change their guidelines regarding product registration, invoke anti-dumping duty³³ on products from any country, or any other information regarding trade measures, in such a situation, other member countries come to know about the change. India also advocated for the establishment independent credit rating agency³⁴, on line of S & P, Moody, etc., exclusively for BRICS. Under S&P, Moody, etc., member credit rating is compared with the developed countries, whereas under BRICS exclusive credit rating agency, member credit rating ranking would be compared with their fellow members instead of the countries in the developed world.

Also, India supported and encouraged intra-BRICS trade, asking the member countries to import/export items from one another rather than from Europe. The concept is that intra-BRICS trade amongst the members would enable dealings in their own currencies inspite of using the dollar, which could prove to be more flexible from the trading perspective. For instance, India and Russia could trade in Rupees or Rouble, depending on the nature of the transaction. This allowed countries to strengthen their own currencies while simultaneously weakening the hold of the US Dollar.

Additionally, India has also supported developmental projects, mainly related to industrial infrastructure in the member countries. It has contributed approximately \$10 billion to the New Development Bank (the BRICS bank) for the promotion of trade and also the

³³ This duty is imposed by the government to protect its economy from the practice of dumping from the foreign good wherein a country who is engaged in dumping priced its good at a very low price as compared to the prevailing market price.

³⁴ These are the agencies that assign rating to the countries on the basis of its ability to meet its debt obligations.

upgradation of industrial infrastructure in South Africa and Brazil. So, India supports development activities in the member countries.

India not only focuses on trade promotion but also on the infrastructure upgradation for BRICS development. The Indian Ocean plays a very crucial role in the development of BRICS, as it is one of the world's busiest and most critical maritime trade routes. India desires sovereignty of this region for two distinct reasons: first, developing and expanding bases in this region would result in increased trade between the member countries of the group, and secondly, these bases will keep any resources mined in this region from the reach of other countries, such as the 100 tonnes of natural gas that was discovered in 2017 was taken by Japan, USA, etc. Additionally, the region is rife with pirates, which makes security cooperation in the region essential. Towards this end, India seeks to collaborate its maritime security efforts with that of South Africa, also having a long coastline along the Indian Ocean. This would allow both countries to share the costs involved in securing such a large area.

India has always taken the lead in hosting a number of BRICS meetings or related events in order to make BRICS a successful organisation. It always laid emphasis on the regularisation of such processes. The first "BRICS Academic Forum" was held in New Delhi in May 2009, before the first BRICS summit in 2009. This academic forum meeting serves as the preparatory meeting for the upcoming BRICS summit where the agenda, recommendations, and ideas are discussed, to be taken up by the leaders in the main annual summit of the heads of the member countries. These sessions have been held every year since the 2010 Summit as a precursor to the main summit. The host of the main annual summit always organises these sessions.

Also, India has favoured setting up a virtual BRICS university. The decision was taken during the sixth annual summit held in Brazil in 2014 in order to increase intra-BRICS cooperation. The first "BRICS Young Scientist Conclave" was held in 2016, which was hosted by India, and this conclave was part of "BRICS Young Scientist Forum". As suggested by India in Ufa, during Business Council meeting in 2015, India arranged for the very first BRICS Trade Fair and Exhibition in 2016 to showcase its technological prowess and accomplishments in different fields. In 2017, the first meeting of the "BRICS Science and Technology Driven Entrepreneurship and Innovation Partnership" was hosted in 2017.

2.5.1 India's Role as a Growth Maker for other BRICS Nations

To ensure the success of the BRICS, each member must first prioritise its own economic development because a developed and powerful nation will bolster the development of BRICS collectively. India, in particular, acts as a growth engine for the BRICS. When the output data of all the BRICS nations was observed for the period between 2001 and 2013, it was noted that the BRICS nation's economic production increased to \$15 billion from \$3 billion. Investors considered Brazil, India, and China as safe bets for the investment purpose. However, this scenario changed quickly. BRICS had some difficult years because of the following reasons-firstly, increased sanctions against Russia when it annexed the Crimean peninsula; secondly, 2015 China's stock market meltdown; thirdly, India's bear run in the share market in 2014; and finally, Brazil's continuous economic turmoil all resulted in investments flowing back to the US from the BRICS nations.

Out of all the members, only the Indian market recovered quickly enough to reverse the loss and regain the confidence of the investors. India's rate of growth was the highest amongst all the BRICS countries by 2018, and therefore, on this basis it made efforts to persuade investors to reinvest in the BRICS countries. So, the member countries started looking at India for assistance in accelerating their growth rate.

In order to help the member countries, firstly, India has often shown interest in helping different member countries. It has invested close to \$4 billion in different kinds of projects to train labour force of South Africa under the "Global Executive Development Program". Secondly, it offered technology-based assistance to the schools in South Africa and Brazil and, therefore, assisted them in replicating its Digitisation of Education program. Additionally, it also offered to conduct trade fairs to enable the members to learn and share the innovations that one country possesses. India wants each member to be self-sufficient so the weight of strengthening the BRICS does not rest entirely on one or two countries. Furthermore, it does it by lending a brotherly hand to all the member countries.

2.5.2 India: A Big Brother

India is seen as a great power and voice strongly both in BRICS and UN and has great role to play in putting forward the interest of other smaller member countries. It rejected the invitations sent to Sri Lanka, Pakistan, and Mexico as it believed that it may weaken the BRICS foundation and focus should be on strengthening the existing arrangement among member countries. Hence, India's stand is firm that unless BRICS finds a strong footing in

the global arena, the organisation should refrain from adding more nations that can weaken the BRICS alliance.

India has time and again shown that it is committed to BRICS member's welfare. It showed support to Russia even when the world supported the USA in different United Nations forums. When the Russian economy was falling, and the countries across the globe wanted to trade with the United States of America, India maintained its trade connections with Russia. Sushma Swaraj, External Affairs Minister at the time, declared after the signing of a \$400 billion defence contract with Russia, "It is our clear position that we would adhere to UN sanctions, not country-specific penalties. India's trade with Russia will continue."

India, like a big brother, always seeks to join hands and progress together via the exchange of ideas and technology across all fields. To further integrate BRICS members, India has supported cooperation in different fields among member countries like training of athletes, promoting renewable energy, and increasing people to people ties via films and festivals. India has contributed generously to NDB for these endeavours.

2.5.3 India: Counterweight to China

China is one of the leading economic influencers in the group, which makes it much simpler for China to exert influence on the World Bank. With this kind of political clout, it can obtain approval for the projects that would have been rejected otherwise by the World Bank, such as the creation of its new Silk Road, officially called the Belt and Road initiative³⁵. The World Bank was set up with the mission to ensure that developing and least developed countries develop more rapidly and reduce their reliance on foreign aid for their development process. However, the Silk Road disproves this goal of the World Bank by increasing China's economic dominance (China is playing the strategy of debt diplomacy). China is known for dumping goods in the neighbouring countries. Therefore, due to the accessibility of China's in the international trade of the countries in which this road passes, the road will reduce the local business in the nations. In addition to this, these countries would also have to cover the expense of security along the road, which will help to prevent thefts. This is an additional cost for economies such as Afghanistan and Egypt that are already struggling economically.

³⁵ It was conceived by Chinese government to develop itself as infrastructure giant in the world, to improve the regional connectivity and to take advantage of the large markets in the region. It was announced and launched by Chinese President Xi Jinping in 2013.

India is well aware of this threat and has been staunch in its opposition to the One Belt, One Road (OBOR) project. It has also stated in many international arenas that the OBOR would endanger rather than help the development process. It boycotted China's Silk Road forum in 2018 as a show of dissatisfaction. Following this dissatisfaction, India and the United States revealed a joint proposal to develop their own Silk Road, including developing a highway to Thailand and constructing another north-south corridor with Russia.

The establishment of the New Development Bank is part of another counterbalancing strategy of India against China. China insisted that each country's stake in the bank is to be in proportion to its economic strength; therefore, a larger share is equated with greater control for China. India stood against it and rejected this suggestion and insisted on an equal share for all five members in order for all of them to have an equal say at the BRICS summits.

India has also used the BRICS on numerous occasions to avert several Chinese actions that would have resulted in war. Indeed, China withdrew its forces from Doklam a week before the 2017 BRICS summit, fearful of pressure from other member nations. Similarly, in 2014, during the LAC border standoff, the same thing occurred. India has used the BRICS to promote peace and tranquillity in the region.

2.5.4 India's Role as a Peacekeeper

India requires the BRICS to stay stable in order for commerce and trade to develop, which is why maintaining peace in critical trading regions is important. The trading regions include the Mediterranean, North Africa, and the Indian Ocean. India, continues to support policies that foster peace and democracy, in the past India has assisted Tibetans in their struggle for independence and today it provides aid and refuge to the Rohingya. Also, India contributed 7,000 tonnes of relief material to Bangladeshi refugees through its 'Operation Insaaniyat.' India has also been an active participant in the United Nations peacekeeping operations. India has deployed nearly a million troops to Sudan, Nigeria, Ethiopia, Somalia, and Afghanistan to help them in combating internal wars. India's purpose in peacekeeping is threefold: to ensure the stability of the BRICS, to strengthen bilateral relations, and to promote world peace.

At the end of the day, neither of these roles can be accomplished in isolation. India requires political clout in order to exert economic power, it requires trade influence in order to fight China, and it must overcome China in order to assume the role of big brother.

2.5.5 Trade

It is a well-known fact that trade acts as an engine of growth. It encourages economic growth and welfare by making better use of regional factor endowments and making it easier for domestic consumers/producers to acquire goods from reliable suppliers. Trade also provides people with goods that are not available or whose production is not possible with the available technology. Trade plays a considerable role in increasing consumer choice.

Trade and growth relationship in economics is viewed from two different angles, but the importance of international trade is acknowledged by both viewpoints. They disagree, however, because of the mechanism that gives trade such importance. According to conventional wisdom, price changes lead to substitution in both domestic and international production and consumption. Therefore, it is essential to have trade because it allows for more efficient use of national resources, but the amount of trade that's optimal will be determined by decisions about the benefits and costs of consumption and production. However, from the second perspective given by development theorists assumes that consumption and production are not interchangeable both at home and abroad. This means that the resource allocation isn't affected much by changes in relative prices. Instead, the volume of external demand is critical. According to this view, trade is critical because, without it, resources would be used inefficiently or not at all.

India, being a developing economy and aspiring to be a \$5 trillion economy, puts much faith in the trade as its engine of growth. BRICS in this context also provides India with lots of space which can be seen from the tables and figure below.

Table 2: India Intra-BRCS Trade (in billion US\$)

Counterpart	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
Brazil	11.4	6.7	6.5	8.6	8.2
China	72.3	70.7	71.5	89.7	87.1
Russia	6.3	6.2	7.5	10.7	8.2
South Africa	11.8	9.5	9.4	10.7	10.6
India's Total Intra-BRICS	101.9	93.1	94.8	119.6	114.1

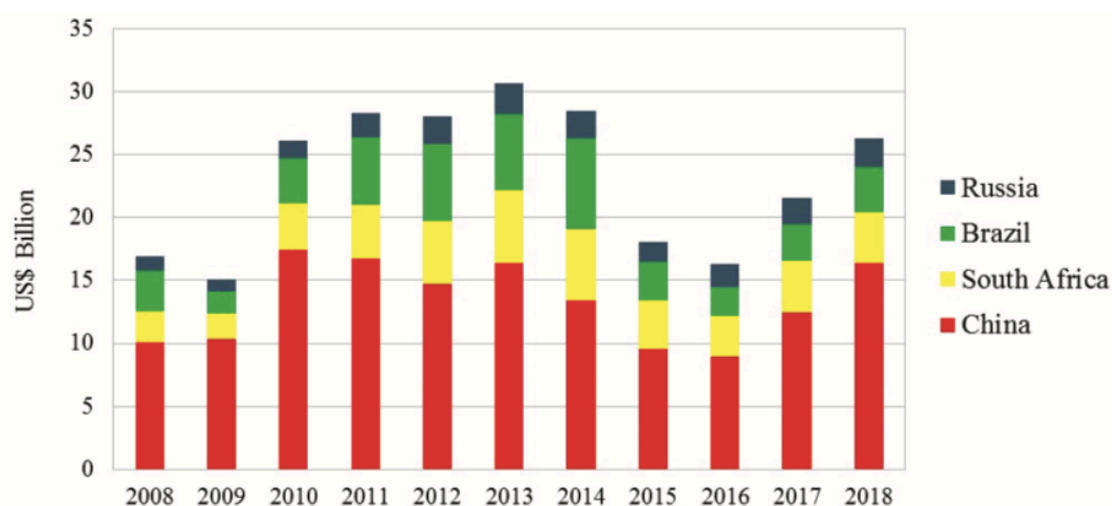
Source: DOC

Table 3: India Intra-BRICS Trade in Relation to the Global Trade

Country	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
Brazil	1.5	1.04	0.99	1.11	0.97
China	9.54	10.99	10.82	11.66	10.31
Russia	0.84	0.96	1.13	1.39	0.97
South Africa	1.56	1.48	1.42	1.39	1.25
India's Intra-BRICS	13.44	14.47	14.36	15.55	13.5

Source: DOC

Figure 14: Indian Exports to BRICS Economies



Source: WITS (n.d)

2.5.6 Reasons Why India Supports BRICS

1. Sunk Costs

According to the scholars, one reason for the international institution's persistence is sunk costs— i.e., it is the cost that when incur, cannot be recovered. So, all the member countries have invested a lot of money, time, energy, and efforts to establish BRICS. All these efforts which went into the establishment can't be recovered back, and therefore, it binds all the member nations permanently together towards finding ways to make the organisation effective. John Ikenberry has argued that institutions sustain because the costs of establishing them are frequently much greater than the costs of deconstructing them. When BRICS structural set-up was observed throughout its journey, it remained an organisation that is informal in nature and also existed without any charter. On the other hand, the multilateral bank of BRICS- "National Development Bank" was formalised rigidly from the very beginning. The formalisation of NDB made sure that even after the discontinuation of BRICS in the future or if the operation of BRICS dilutes, the five-member nations always remain linked with each other. This linking between the five-nations became essential to recover these sunk costs, which went into the establishment of BRICS.

India frequently equated BRICS with its membership in other "Western-led" groupings, such as the Quad, in order to reassure domestic constituencies of its continued commitment to strategic autonomy and a multi-aligned foreign policy. Under such circumstances, the "cost" to India of dissolving the BRICS is far greater than the cost of simply remaining a member, despite the grouping's diminishing dividends.

2. Providing the space which is safe for the member nation

BRICS also permits China and India to moderate their competition within the context of a small grouping, even if bilateral relations remain strained. It can be clearly seen from the Doklam crisis of 2017, and the same happened during the Ladakh impasse.

Even when bilateral relations were rough, the BRICS allowed India and China to moderate their competition within the context of a small band of countries. During the Doklam stalemate in 2017 and the Ladakh standoff, both sides were committed to resolving disputes through various confidence-building measures and remained engaged through BRICS. The organisation like SCO and BRICS provide India and China with the opportunity to "decouple" their strategic competition from other aspects of their relationship, such as economics and security.

Russia's role is also important to be considered in this context. Russia had always played an important and significant role in diluting the tension and bringing both of them to the same table for negotiations. India's dependency on Russian weapons means that it cannot insult the Kremlin without risking further damage to its good relations with Moscow. So, BRICS, over the time, proved to be a safe space for India in solving crisis-laden situations either directly or through third country involvement.

3. Status

Scholars studying Indian foreign policy argued that the ambition for international stature explains much of India's behaviour in the world arena. Despite the country's growing promotion of realistic foreign policy, India tried to maintain its neutral stand during the cold war phase, when a young and materially weakened India steadfast in its position of not supporting any bloc and chose to be a guide for third-world countries. It showed India's pragmatic stand regarding its foreign policy. An excellent example of this is the emerging economies of South Asia (BRICS).

As per India's incumbent External Affairs minister, S. Jaishankar, countries like Brazil and South Africa gave India extended transcontinental reach. India's participation in BRICS appeared excellent, positioning the country as a faithful global participant. At the same time, one can debate what exactly has manifested as a result of this reach. There are several low-cost ways for New Delhi to indicate its desire to become a significant global player in the emerging world.

4. Signaling

India has always favoured changes in the current framework related to various international institutions, particularly the UN system. India has maintained its continuous stand regarding reforms in the international system as the current status of many institutions favours only a few countries, and therefore, it always calls for top-down reforms in such institutions, starting with the reform in United Nations Security Council³⁶ (UNSC), where it wants a seat as a permanent member. If the joint statement of BRICS is looked upon, it

³⁶ The mandate of "United Nations Security Council" is to preserve and maintain international order and stability, peace and security in the world. It also has the power to examine and decide on issues of human rights. It decides whether a challenge to stability or an act of violence exists. Instead of being strident and raising fingers, the council clearly advises that they sit down and discuss solutions to resolve their disagreements. While the Security Council can intervene in certain circumstances to preserve or restore international peace and security by passing sanctions, it may never resort to force.

revealed that international multilateral institution's reform always remained the top political priority.

Even if China, for instance, strongly advocates for India's position in the UN Security Council, New Delhi will not accept that China is supporting its position. However, frequent calls for reform from the BRICS strengthen India's claims in this direction that China is seriously supporting and, therefore, acting as a multiplier for India's own demands for change. So, this stance of BRICS help in signalling the stance that China favours India's position for the membership, for India.

5. Geo-Political and Geo-Economic

Today's global geopolitics resembles a tug of war, with India caught in the crossfire. Thus, finding a middle ground between the United States and the Russia-China axis has proven challenging for India. So, the BRICS framework gives India a chance to counterbalance the Russia-China relationship.

For all the BRICS members, they share a common goal, and that is to reform the international monetary and financial system in order to create a more balanced and just international system. In this context, the BRICS community has a significant impact on the G20³⁷, helping it to promote stability in the financial system and in shaping the global economic policy.

6. Voice of Developing countries

The poor countries are crippled by the actions of the developed countries, which are generating concerns about everything from the World Trade Organisation to climate change. Therefore, BRICS has recently emerged as the voice for all these developing countries, also known as the global south. It also played a significant role which proved to be important in preserving the rights of developing countries. Also, India always stands for the nations which cannot stand against the voice of the developed world.

³⁷ It is a one of the biggest global platforms which is strategic in nature that focuses on most pressing issues involving both the emerging and industrialised economies. The organisation has a critical role in ensuring world prosperity and economic growth. The G20 countries collectively account for 60 percent of the world's population, 80 percent of the global GDP, and in the world trade, its share is 75 percent. The G20 began in 1999 as a conference of the finance ministers and the governors of the respective central banks, and has since grown into annual summit attended by the heads of state. Furthermore, during the years, Sherpa meetings, events, and working groups are also held to work towards the objective of the forum.

7. Fight against Terrorism

India is committed to use BRICS as a forum to coordinate its anti-terrorism efforts, and the country has done so by taking a firm stance against terrorism and convening concentrated talks on terrorism-related topics within the organisation.

2.6 BRICS and Russia

BRICS, for Russia, is an essential group for cooperation in the international arena. Russia, starting from the late 20th century, was looking for a forum/organisation to enhance its relations with the centres of powers not located in the West. Moreover, when Jim O'Neil coined the term BRIC to represent the countries poised to be the major emerging economies, Russian diplomats got attracted to the term and began working to give the term the form of an organisation. In line with this, Vladimir Putin, President of Russia at the time, convened the foreign minister's meeting from the member nation of BRIC in September 2006 after the conclusion of the meeting at the UNGA in New York. This was the first step towards practical cooperation among the BRICS nations.

Initial assessments of BRICS were positive, with Russia seeing it as a semi-formal alliance amongst a grouping of big powers of non-western economies, with each considering the format to be an element of their own strategy for bringing about an orderly transition of the post-Cold War world order. Following one of the most significant crises of the time i.e. 2008 global financial crisis and the demands of the BRIC countries, however-and especially following the addition of South Africa and the shift in Russia's priorities-the BRICS countries began to concentrate on economic matters.

From its inception as a meeting of foreign ministers in 2006 and later as the first full-fledged summit of state's head in 2009 that took place in Russia, the Russian leadership has viewed the BRIC and then the BRICS as one of the most important non-Western institutions which could coordinate and establish an agenda for reforming the international order. Since then, the leadership of the Russian Federation has consistently emphasised the significance of this work and has worked to expand the BRICS agenda and transform it from a mere dialogue forum of renowned non-Western powers to an effective and significant institution on par with platforms such as the G20 and the G-7.

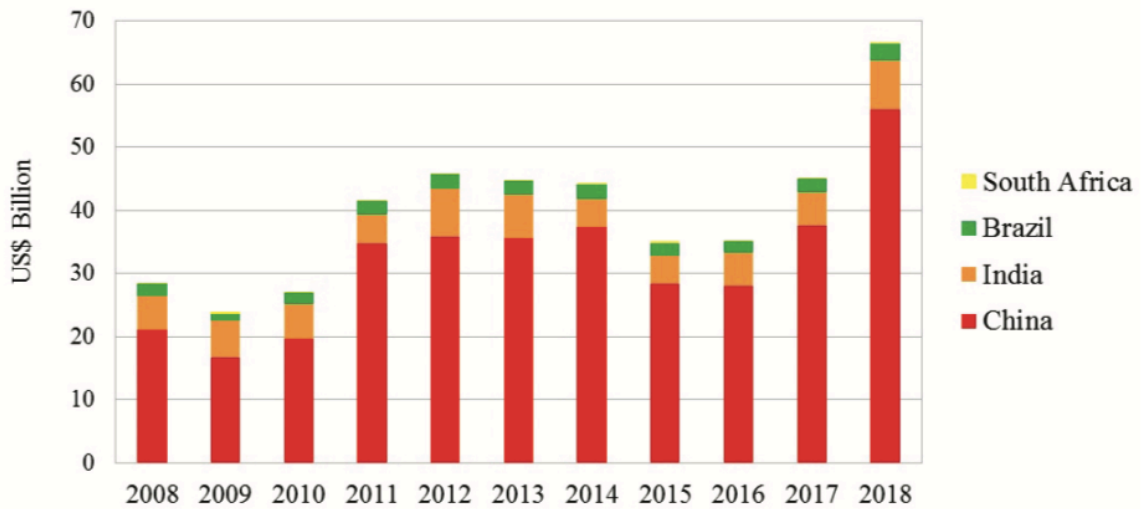
Following 2014, and the development of Russia's foreign policy as a whole, Russia's attitude towards the BRICS began to shift and expanded to include new subjects. Following Russia's initiative, issues like security, counter-terrorism, Middle east's political situation,

the eastern Ukraine problem, and others became permanent fixtures on the summit agendas in Goa, Xianmen (China), Ufa (Russia), and Johannesburg (South Africa). While initially formed to address only economic regulation reform, the BRICS group has grown to become a significant global platform for debating political issues of a global nature, working to establish a consensus among the world's leading powers, collaborating on their efforts with other international organisations, such as the United Nations, and developing bilateral interaction with other and among member countries.

As per the Russian government, Russia's approach in relation to the BRICS countries is a policy for the peaceful reconstruction of the global order. As a result of the impact of external structural situations, this approach has slowly diversified to include new political issues. On the other hand, the underlying premise and ultimate purpose stand exactly the same: peaceful change of the post-Cold War world order so that significant economic and political decisions are made under more democratic settings, that might genuinely represent today's multipolar world. Despite the fact that the BRICS is made up of countries that are pretty diverse with respect to their political objectives and economic figures like GDP, output, employment, etc. but they are still unified in their pursuit of stated goal of peaceful reconstruction of the world order.

With respect to the volume and distribution of trade, Russia's trade pattern within the BRICS has followed a similar pattern as that of Brazil. Russia's trade with the BRICS countries achieved new highs between 2008 and 2018. In actuality, BRICS members received only 14 percent of Russia's exports in 2018. So, there is a lot of scope from the Russian side to expand both its volume and distribution of trade with the other four members.

Figure 15: Russian Exports to BRICS Countries



Source: WITS (n.d)

Russia always wants a stronger BRICS, which can be seen from the priority areas that it focussed upon during its presidency. In 2015, when Russia took over as the President of the organisation, it mainly focused on five priority areas:

1. Building up the international peace and maintaining the security;
2. Ease the cooperation on the financial front and bring out the change in the global financial system;
3. Strengthen the economic and trade cooperation;
4. Increase the social cooperation between the member countries, and
5. Enhance people-to-people ties.

After the Ukrainian crisis, two more priority areas were added to the list-

1. Establishing a unified platform to address security challenges ranging from cyber warfare to armed conflicts.
2. Expanding international law

2.7 Economic Relations between Russia and India: Historical perspective

Before 1991, Russia, which was known as the Soviet Union, and was one of the most important trading partners of India. Soon after the Soviet Union's disintegration in December 1991, trade between India and Russia fell sharply, and this trend continued till

1997-98. Both India's imports from Russia and its exports to Russia were falling but post-1998, India's export to Russia started to rise and increased by 45 percent. India, till 1998, maintained a trade surplus with Russia, but this trade surplus kept on declining because Russia's exports to India were growing rapidly as compared to India's exports to Russia.

Commodities that dominate India's exports to Russia include coffee, tea, fine chemicals and drugs, tobacco, and cotton garments. Moreover, over the years, exports of pharmaceuticals started to increase. Imports that dominate were ferrous and non-ferrous metals and fertilisers.

Strengthening and increasing the economic and trade partnership between Russia and India was and is always a top aim for both the nation's political authorities. Both the parties have always emphasised on the importance of expanding the economic and trade cooperation and have reaffirmed their intention to boost the trade to \$30 billion and investment to \$15 billion by 2025. This target is now revised to \$50 billion for both trade and investment which shows the priority that both these countries attach to their economic relations. The advancement of economic cooperation between both nations are also aided by the establishment of government and non-government institutions. These institutions helped in advancing the trade relations between both the nations. Some of these institutions are- "India-Russia Intergovernmental Commission for Trade, Economic, Scientific, and Cultural Cooperation (IRIGC-TEC)" which oversees government-to-government economic cooperation and the "Indo-Russian Forum for Trade & Investment" and "India-Russia CEO's Council" for increasing the Business-to-Business contact between the two nations.

The top officials of both the nations keep visiting each other in order to make offers and sign agreements. The tables below provide the data related to trade between the two countries for the past 15 years. It can be concluded that trade between the two increased from 2.18 percent in 2004 to 10.98 percent in 2018, which is a piece of positive news.

Table 4: Trade Figure Between the Two Countries from 2004-09

Year	India's Import from Russia	India's export to Russia	Total trade	Percentage Increase YOY
2004	1.55	0.63	2.18	(-)34.17
2005	2.31	0.78	3.09	41.78
2006	2.98	0.96	3.95	27.66
2007	4.01	1.30	5.32	34.51
2008	5.23	1.71	6.94	30.56
2009	5.93	1.52	7.46	7.4

Source: Consulate General of India

Table 5: Trade Figures Between the Two Nations from 2010-18

Year	India's Import from Russia	India's export to Russia	Total trade	Percentage Increase YOY
2010	6.39	2.14	8.53	14.4
2011	6.09	2.79	8.89	4.19
2012	7.91	3.04	10.95	23.8
2013	7.01	3.10	10.11	-7.34
2014	6.34	3.17	9.51	-5.6
2015	5.58	2.26	7.83	-17.67
2016	5.23	2.36	7.59	-3.07
2017	6.46	2.90	9.36	23.32
2018	7.75	3.23	10.98	17.31

Source: Embassy of India

As of 2015, Indian investment in Russia stands at around \$8 billion, while Russia's investment to India stands at \$3 billion.

Cooperation in the trade and economic field between Russia and India is a crucial foundation for their overall bilateral ties. Between the two countries, there are numerous sister-city/state agreements that especially emphasised on economic cooperation. There has been significant progress in the development of banking linkages between the two

countries. A number of Russian banks have opened their branches. Similarly, the Commercial Bank of India provides banking services in Russia.

2.8 BRICS in India-Russia Economic Relations

The foreign secretary of India, Harsh Vardhan Shringla, recently stressed on the need for India and Russia to diversify their trade and economic exchanges by moving beyond traditional areas of cooperation to new ones like railways, pharmaceuticals, transport and logistics, steel, and minerals that can further boost their bilateral ties. The need to develop a digital currency for the BRICS was also stressed, along with the possibility of settling trade in non-US dollar currency between India and Russia. He also pointed out that India and Russia have major commercial cooperation in the gas and oil sector and also emphasised on the fact that the two have been looking to diversify their economic exchanges further.

India is already looking to enhance the investment in products like timber, LNG, and coking coal. A shipping line between Chennai and Vladivostok has already started. The foreign secretary also stressed on the point that Indian companies have significantly invested in the Russian economy, especially in the case of Sakhalin-1 project, which was one of the earliest public sector investments in Russia.

India has acquired stakes worth \$15 billion in five Russian companies. 98 percent stakes were acquired in India's Essar Oil by a consortium of investors under the leadership of Rosneft at the cost of \$12.9 billion. India is also exploring the possibility of privatising its major oil companies and has started talks with Russian counterparts to gauge their interest in acquiring stakes in them.

To boost and enhance cooperation among BRICS countries, the BRICS Economic Partnership strategy was adopted during the Ufa summit in 2015. It encompasses areas of cooperation like manufacturing and mineral processing, trade and investment, energy, science, technology and innovation, agricultural cooperation, financial cooperation, connectivity, cooperation in ICT, and coordination in regional and multilateral organisations.

With the establishment of BRICS in June 2006, the total trade between both the countries is on the rise, as can be seen from the below table. It highlights the potential role this organisation can play in boosting trade and economic cooperation between the two nations.

Table 6: Trend in Russia Trade with India, 2005-2014 (US \$ in a million)

Item	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Exports to India	2,314	2,926	3,034	5,231	5,937	5,406	4,666	7,567	6,983	6,239
Imports from India	784	967	1,309	1,714	1,524	2,143	2,761	3,041	3,091	3,129
Total trade	3,098	3,893	4,343	6,945	7,461	7,550	7,426	10,608	10,074	9,368
Trade balance with India	1,530	1,958	1,725	3,517	4,413	3,263	1,905	4,525	3,891	3,110

Source: Trade map, ITC Geneva

Increasing economic cooperation and trade has always been a key priority for the leadership of both India and Russia. The total bilateral trade was approximately \$9 billion in 2014, in which the Indian export figure was \$3 billion, and Russia's export figure was \$6 billion. In total, between 2000 to 2014, Indian investment in Russia was about \$8 billion, while Russia's investment in India was \$3 billion. In 2015, at the annual summit, both sides highlighted the need to enhance trade and cooperation and also reiterated the need to increase trade to \$30 billion by 2025 and total bilateral investment to \$15 billion by 2025. The target was achieved before date, so new targets were conceived. The target for bilateral trade and investment is \$50 billion, to be achieved by 2025.

There are many institutional mechanisms that facilitates the development of economic relations, both at the government and non-government levels, between two countries like IRIGC-TEC ("India Russia intergovernmental commission for trade, economic, scientific and cultural cooperation") in Russia and the "Indo-Russian forum for Trade and investment" plus "India-Russia CEO's council" in India which has helped in facilitating constructive interactions between them.

India is also in talks for joining the Eurasian Economic Union³⁸ to engage more closely with Russia and CIS countries, which can intensify trade and economic relations with BRICS. Furthermore, both the countries can also unlock huge trade potential through the development of transport corridors. For example, INSTC can help India to connect with Central Asian countries which are land-locked. There is also the Zaranj Delaram highway which when completed can boost trade figures among the member nations.

³⁸ In 2012, an agreement was reached between the three counties, Belarus, Russia, and Kazakhstan, to coordinate the broad arena of the internal economic policies, which covers trade aspects as well. This finally led to the establishment of "Eurasian Economic Union (EEU)" in January 2015. Therefore, after operating as Custom Union for four years, it finally transformed into an Economic Union.

Figure 16: Zaranj-Delaram highway



Source: Indian express

There has been a continuous effort to intensify economic engagement between both the countries, both within and outside the ambit of BRICS. Indian Prime Minister's visit to the 16th Indo-Russian summit in 2015 provided a strong push to enhance the bilateral relations. Around 17 agreements were signed, of which 10 agreements were related to economic and trade aspects. The Indian Prime Minister also participated in BRICS and SCO summit in 2015, where many issues related to trade and economic cooperation were discussed.

The Bilateral trade between India and Russia has been gaining strength after the establishment of BRICS. Major export items from India include manufactured items, iron and steel, tea, coffee, pharmaceuticals, and tobacco. Major import items include defence equipment, fertilisers, electronics, steel, diamond and nuclear power equipment.

2.8.1 Defence

Defence relation has become an important feature between India and Russia in the face of an aggressive China. Despite the fear of US sanctions under CAATSA, India has made a pact to import the S-400 missile defence system from Russia, which shows our commitment to a rule-based order and the principle of national autonomy in decision-making, which are the foundational values of BRICS. A 2+2 dialogue between the foreign and defence ministers, on the lines of India's 2+2 dialogue with the USA, is on the anvil and will pave the way for greater stability and depth in ties.

India is also in talks to import Russian AK-203 rifles, that will eventually replace our ageing INSAS rifles. The agreement includes the transfer of technology, which will generate employment and boost our indigenous capabilities. Deals for the procurement of SU-MKi, MiG-29 aircraft, and logistics agreement like RELOS³⁹ not only have the capability to strengthen defence ties but also economic ties.

2.8.2 Energy sector

India's population, which is set to touch 1.4 billion in the coming decade, requires a vast amount of energy for the consumption purpose, which Russia is willing to provide. With its vast resources of oil and natural gas, Russia is a potential candidate that can fulfil India's energy needs. Moscow has also agreed to give India "preferential pricing" for procurement of natural gas and oil, and has agreed to route it via the arctic route.

In the field of nuclear energy, Russia has a long history of successful collaboration with India. There is also seen great potential for future cooperation in this area. Russia has already started the construction of a number of nuclear reactors at Kudankulam in Tamil Nadu. India and Russia are also collaborating to establish the Ruppur Nuclear power plant in Bangladesh, which is a sign of great trust.

2.8.3 Investment

Some priority sectors for investment between India and Russia are hydrocarbons, coal, nuclear, IT, fertilisers, pharmaceuticals, minerals, power, and metallurgy. Both countries have taken various steps to promote bilateral cooperation. There is ongoing investment process in both countries apart from high-level business to business and government to business contracts in many sectors.

BRICS economic partnership, which was adopted in 2015 to enhance intra-BRICS cooperation, encompasses various declarations, including those concerning health, science and technology, education, agriculture and economic and financial cooperation. Some concrete progress includes New Development Bank (NDB) and Contingent Reserve Arrangement (CRA). Its primary focus is to lend funds for infrastructural projects. This bank had initial capital of \$50 billion which was revised to \$100 billion. Every member country has an equal contribution of 10 billion dollars. Moreover, the Contingent Reserve

³⁹ It is a "Reciprocal Exchange of Logistics Agreement". It will help both Russian and Indian military to gain access to each other's ports and bases for logistics access and other supporting facilities. This agreement will enhance the defence ties between the two countries.

Arrangement provides a framework for cushioning against liquidity pressures for India and Russia.

At the BRICS summit in 2015, BRICS nations decided to start a consortium for a system that will be an alternative to the SWIFT⁴⁰ payment system. An independent system as envisaged will provide greater independence to member countries.

To strengthen the taxation system, India and Russia supported the proposal of Base Erosion and Profit Shifting (BEPS)⁴¹, sharing of tax information, and promotion of the stable tax policies. At the 4th BRICS heads of revenue meeting held in 2016 in India, both countries agreed to strengthen tax cooperation, and implement G20's agreement on tax governance and help emerging countries with their taxation capacity.

BRICS has been instrumental in bringing changes to the International Monetary Fund quota system in 2010, which was doubled with 6 percent share transferred to developing and emerging countries. The votes of Russia, China, India, and Brazil were increased to a total of 14.18 percent.

At the 11th meeting of BRICS in Brasilia, 2019, Russia and India stated that the bilateral target of \$25 billion for 2025 has been achieved already marked by the increase in gas and oil imports. Following this, Russia invited India to bring investment in its Arctic region for exploration and exploitation of Natural gas.

India and Russia are also pushing for the creation of an independent BRICS Credit Rating Agency that aims to solve the hurdles for emerging economies posed by rating agencies that are dominated by western countries like S&P, Moody, and Fitch. When these three rating agencies downgrade credit rating of any country, it sends negative signals about the country's credit worthiness and this leads to outflow of the investment from the country. So, it negatively affects the nation's economy. These three rating agencies hold over 90 percent of the world's sovereign rating market.

India and Russia have had a strong relationship historically. With the setting up of the BRICS in 2006, this relationship has been boosted further. Since the coming of BRICS in

⁴⁰ It is "Society for Worldwide Interbank Financial Telecommunication". It is system of messaging between the banking system around the world banking system. It gives instructions regarding the receiving and giving of the funds between the countries banks.

⁴¹ It was introduced in one of the OECD's summit. It was formulated because it was observed that over the time many firms who make positive profits tries to shift their operations in the jurisdictions of those nations by finding the loopholes in their taxing system to skip the payment over these profits in the country, where they are making profits.

2006, the main pillar of Indian-Russian cooperation towards changing world order has been the growth of the BRICS countries. The BRICS countries have always remained active in global economic governance and continues to work for changing global order of which these two nations as active members. Therefore, BRICS can prove to be fundamental in enhancing their political cooperation as well.

For Russia, BRICS remained as one of the most powerful tools with India and China as important partners to increase its own economic prowess and to counter US hegemony at the global level. India viewed BRICS as a platform to increase its voice in global economic governance and maximise its economic potential.

India and Russia many a time cooperate within BRICS as a lobbying group in G20 meetings, like in the time of global financial crises. Both countries, along with other BRICS countries, remained a significant political force in the global trading system and greatly influenced institutions like WTO and G20.

At the BRICS summit held in South Africa in 2013, Russia and India noted the greater role played by BRICS countries as a part of global efforts for a sustainable, strong, and growing world economy. It was also noted that BRICS members played a crucial role in bringing the world economies closer to the road to strong, sustainable, and balanced growth. Also, India and Russia stand for a greater role of BRICS as an institution for strategic activities undertaken by member countries on a growing range of international economic and political issues.

On the whole, the relation between India and Russia is on the rise with the increase in exchange in numerous economic fields and areas of cooperation. It is still not clear whether the FTA will emerge in the near future among BRICS states due to pressure from China. But still, BRICS is filling this gap and is playing the role as an important vehicle between the two nations in increasing the cooperation between the two nations in almost every field. With BRICS in the background, future of both the nations seems to be bright.

Chapter-3

World Trade Organisation and Russia-India Trade Ties

3.1 WTO: An Overview

The end of World War I and its consequences on the world economy have led major countries of the world to look for solutions to stabilise the economic system in the post-war period. However, the countries could not find any solutions, and soon, World War II grasped the world economies in another crisis. Therefore, the US government, soon after the beginning of World War II started to explore the solutions to combat and stabilise the post-war economic order. Along with this, since the beginning of 1943, the US and United Kingdom (UK) were negotiating towards a broader framework for setting an international body exclusively dedicated to trade liberalisation. They also aimed to make trade more equitable between the world economies.

Therefore, after extensive discussions and negotiations, a troika of organisation evolved. Firstly, in 1944, a conference was held in Bretton woods, US, from where the International monetary fund (IMF) and World Bank (WB) came into being. Secondly, the United Nations Organisation was conceived from the Dumbarton Oaks Conference, and thirdly, International Trade Organisation (ITO) from the Havana Conference (Havana Charter) evolved.

Therefore, for the post World-War II economic development and reconstruction, major world economies of the time settled on introducing three key pillars: ITO, IMF and the World Bank. This made ITO as one of the fundamental pillars of the development process. A conference took place in 1940 in Havana under the official name of “UN Conference on Trade and Employment”. In the conference, a draft charter was concluded for the ITO, called the Havana Charter. The charter created a considerable number of rules that will govern the investment, trade, business, services, and employment practices. However, it never came into being as the US government did not ratify this agreement.

However, in 1947, an agreement called General Agreement on Tariffs and Trade (GATT) originated in place of ITO. It came into being after 23 nations signed the treaty in Geneva. The main purpose of GATT was “substantial reduction of tariffs and other trade barriers and the elimination of preferences, on a reciprocal and mutually advantageous basis.” In its journey, different rounds of negotiations took place with the focus on facilitation and improvement of the global trade by gradually reducing the short-term and eliminating, in the long-run, the tariff and non-tariff barriers between countries. MFN (Most Favoured

Nation) forms the basis of this organisation and is the guiding principle for all the agreements.

GATT was not a full-fledged organisation, it was only in the form of agreements. It was provisional in nature. Until the creation of WTO in 1992 as a full-fledged organisation to deal with the trade-related issues seriously, the agreements that were finalised and passed under the ambit of GATT used to govern the trade taking place between the countries.

From 1947 till 1992, many rounds of trade negotiations took place, and over these years, GATT evolved as a de-facto organisation dealing with all the matters related to international trade. Furthermore, over the time, its membership expanded from 23 members to over 130 member nations. Negotiations started to take place soon after GATT came into existence and ended after GATT's most-extended round i.e., Uruguay round, which ended in 1993. Uruguay round cleared the field for the establishment of WTO.

Changes that were introduced in GATT fall under two categories-GATT 1947 and GATT 1994. Changes that were introduced in GATT agreements, rules, and standards prior to the Uruguay round came to be known as GATT 1947. Clarifications and modifications that were put in place during the Uruguay round came under GATT 1994, also known as "Understandings". GATT 1994 also includes a lot of new agreements to deal with the trade-related matters. All the agreements that were part of GATT 1994 became the basis and intrinsic part of WTO that was established thereafter.

So, in all, it can finally be concluded that despite all the efforts made by members of GATT during the entire negotiation round to institutionalised the GATT system to effectively and smoothly carry out the world trade, still, it remained functional as a temporary arrangement throughout the years and worked as a semi-institutionalised multilateral treaty regime. Finally, during the Uruguay round in 1986, members concluded that GATT is no longer adapting to the current globalised world order, and they discussed all the significant areas for review that were part of GATT in the starting. Moreover, as a result, the new body, namely WTO, was born after the Uruguay round of GATT (1986-1994) negotiations in 1995.

Apart from the rules and standards governing trade in goods, other fundamental components that WTO includes are "the General Agreement on Trade in Services (GATS), which attempted to supervise and liberalise trade in services; the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), which sought to improve the

protection of intellectual property across borders; the Understanding on Rules and Procedures Governing the Settlement of Disputes, which established rules for resolving conflicts between members; the Trade Policy Review Mechanism, which documented national trade policies and assessed their conformity with WTO rules; and four plurilateral agreements, signed by only some of the WTO membership, on civil aircraft, government procurement, dairy products, and bovine meat (though the latter two were terminated at the end of 1997 with the creation of related WTO committees)". All of the above-mentioned agreements were signed by the then member nations in April 1994 in the Marrakech, Morocco. After the ratification of Marrakech treaty by all the contracting parties, all the member nations of GATT automatically became WTO members. Currently, WTO has over 160 members.

The WTO was established with the purpose of ensuring free, smooth, and predictable global trade. It allows for the creation of rules for the international trade enabling each member country to benefit from its comparative advantage. The aim of WTO is to create economic stability and peace based on consensus amongst its member nations by ensuring a smooth and fair multilateral trading system. Agreements signed under WTO form the core of the institution as these agreements establish the basis according to which countries trade with each other and also bind the member nations to frame their respective trade policies within limits set by the organisation. There are currently over 160 members who have also ratified the WTO agreement and principles. They have also incorporated WTO rules into their domestic legal system, which means their domestic laws and regulations cannot contradict WTO ones.

Five principles that guide WTO and are considered fundamental in its working are reciprocity, transparency, non-discrimination, enforceable commitments, and safety valves. The WTO was established with the objectives to provide a platform for resolving trade-related disputes between member countries, to give concessions to the least developing countries and help them benefit from the global trading system, to enforce and make rules for international trade, to show transparency in trade-related decisions, and to cooperate with other economic institution which has a significant stake in world economic trade and management.

Although WTO shares many of the objectives of GATT, it has pursued these objectives more comprehensively. For instance, GATT's focus was exclusively on goods whereas WTO focuses not only on goods but also on services, intellectual property, and investment

policies. Along with these, WTO has a permanent secretariat in contrast with the interim secretariat of GATT. It also has more teeth and formal mechanisms for settling trade disputes and reviewing trade-related policies. As WTO covers broader areas and has more members than GATT, its acceptance has grown continuously, which has led to a steady increase in participation of countries.

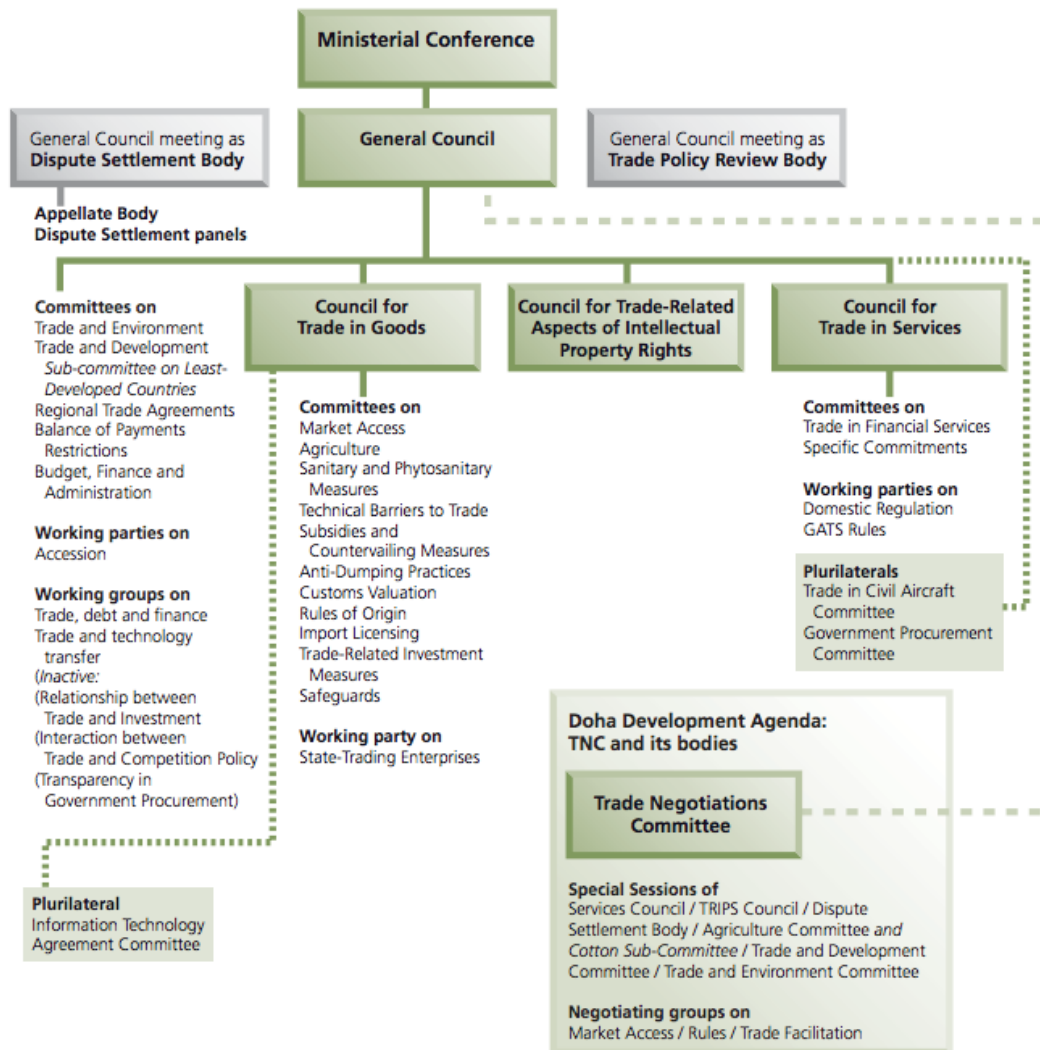
Both WTO and GATT are concerned with three core areas. Firstly, they serve to protect the interest of weak and small nations against discriminatory and biased business practices of the countries that are large and dominant in the trade arena. The concept of MFN and national treatment stipulates that all the member nations have access to the market equally, and the investors engaged in domestic and foreign markets must be treated on an equal basis. Secondly, all the member nations are supposed and required to put in place reasonable tariff restrictions and to provide access to other countries as specified in their commitments. Thirdly, the rules are made such that lobbying efforts of different domestic groups are resisted with only a few exceptions to provide greater strength and stability to international trade.

Membership of WTO has kept on expanding since its establishment. Article XII of the Marrakech Agreement of 1994 deals with the membership process. It describes the procedure for the formal accession of any state to WTO, such that, any territory or nation which is independent in conducting its trade policies can join WTO. After passing through all the stages, members of WTO go for a poll, and if two-thirds of all the member countries vote in favour of the country wanting to be a member, the country can join WTO, but only after, the nation's parliament or legislature ratifies the agreement.

3.1.1 Organisational Structure of WTO

The main hallmark which differentiates WTO from other international organisations is the method it adopted to make decision. This decision-making process is based on consensus, where all the members have equal say and participation. Moreover, whatever decision is finalised, is accepted by all the members.

Figure 17: Organisational Structure of WTO



Source: WTO

The topmost decision making authority in WTO is the Ministerial Conference, in which all the member countries are represented. The member nations are obligated under the rules to meet atleast once in the span of two years. They can meet more than once, but it is obligatory to have at least one meeting in two years.

The conference has authority over all the agreements and the working of WTO and, therefore, can take a decision over any aspect. The table below gives the detail about all the ministerial conferences that have taken place till date.

Table 7: Ministerial Conferences of WTO

Ministerial Conference	Place	Year
First	Singapore	1996
Second	Geneva, Switzerland	1998
Third	Seattle, Washington	1999
Fourth	Doha	2001
Fifth	Cancun, Mexico	2003
Sixth	Hong Kong	2005
Seventh	Geneva, Switzerland	2009
Eighth	Geneva, Switzerland	2011
Ninth	Bali, Indonesia	2013
Tenth	Nairobi, Kenya	2015
Eleventh	Buenos Aires, Argentina	2017

Source: Formulated from WTO website

Next in line comes the General council, in three-forms, to handle the daily work of WTO, and it directly reports to the ministerial conference. The three-forms are:

1. The body concerned with the settlements of disputes
2. Review body on Trade policies
3. General Council

Again, all the members are represented under the three-forms of the general council. Trade Policy Review body reviews the trade policies of all the member states, whereas the dispute settlement body undertakes the settlement of the disputes amongst the members of WTO.

The next level consists of different councils under the General Council, which handle wide-ranging areas of trade, and it includes-

1. Council to handle goods
2. Council to handle services
3. Council to handle the trade in Intellectual Property Rights

Various bodies work under the three councils and are called committees. They deal with smaller and specific areas of trade and still consist of all the members of WTO. Furthermore, they all report to the General Council.

3.1.2 Secretariat

The WTO secretariat is located in Geneva, Switzerland and is headed by Director-general. Functions/Responsibilities of the secretariat are as under:

1. Technical and administrative assistance to WTO bodies for discussions and for the implementation of the agreements.
2. Assistance to the developing nations in the technical field, especially the least developed groups, because they require the assistance to move forward with their development process.
3. WTO statisticians and economists analyse the trade performance of different member countries as well as their respective trade policies.
4. Legal staff assistance in resolving trade disputes.
5. Handling accession discussions for the members who are new to the organisation and advising nations seeking membership.

3.1.3 Functions of WTO

The primary functions of the WTO are focused on trade negotiations and the administration of global trade regulations. Four specific policies that support these functions are given special attention:

1. Assisting developing countries and economies in transition.
2. Extensive assistance for the promotion of exports.
3. Coordination in international economic policymaking.
4. Notification on a regular basis to the member nations when any one of the member countries introduce new measures concerning trade or modify existing ones.

3.2 Agreements of WTO

An agreement under WTO, also known WTO's Trade rules, deals with essential aspects/subjects of that area. Some of the important ones are discussed below.

3.2.1 Agreement on Agriculture

In 1995, the agreement came into existence. It was primarily introduced to provide a structure to bring in reforms in trade of agricultural products and related domestic policies of the nations. It also aims to enhance fair and equitable competition and aims to reduce the distortion in the sector. The agreement mainly focuses on decreasing the export subsidies and to give nations better access to the international market. The agreement mainly focuses on three components-

1. Domestic support wherein the focus is on the subsidies or any program that increases production and distorts trade.
2. Market access.
3. Export competition.

3.2.2 General Agreement on Trade in Services (GATS)

GATS is considered as the most significant achievement of the Uruguay round, which came into effect in 1995. Rules regarding the trade in goods were always the primary area of focus since the beginning. During the Uruguay round of negotiations, the leaders realised the potential of services and opined that in the coming years, trade in services would dominate world trade. Therefore, started negotiations on GATS on the framework of GATT. GATS provide the set of rules to govern the trade in services. It distinguishes the flow of services between the member nations on the basis of four modes, which are as follows-

1. MODE 1-Supply across the borders-It deals with the flow of services between two or more member nations, like banking services.
2. MODE 2-Movement of individuals-It talks about the movement of natural person from one nation to another. For example-Doctor, teacher, chef, etc.
3. MODE 3-Commercial Presence-It is the mode where the supplier of services establishes their territorial presence in another country to deliver the service.
4. MODE 4-Consumption Abroad-It refers to the mode where the service consumer moves to the service provider's country, like, tourism.

There are certain obligations under GATS which are categorised into two types-general obligations, which applies to all the members and includes MFN treatment and

transparency. The second type deals with specific commitments which only apply to those service sectors that are mentioned in the member's schedule, which includes national treatment and market access.

There is also a relaxation available under GATS which stipulates that if a country is going through BOP difficulties, then it can inflict certain restrictions.

3.2.3 Agreement on Trade Related Intellectual Property Rights (TRIPS)

It pertains to trade involving intellectual property rights and contains an exhaustive list related to intellectual property that focuses on the acknowledgement and reward of creativity and innovation. The agreement is crucial in the sense that it helps in smoothening the trade involving creativity, innovation and other forms of knowledge sharing. This agreement also aims to ease technology transfer.

IPR is defined as 'information with commercial value'. TRIPS cover the following seven IPRs-copyrights, geographical indication, trademarks, industrial designs, trade secrets, patents, and integrated circuits.

3.2.4 Agreement on Technical Barriers

Different countries have different economic structures and political systems based on their geography, culture, history, etc. Therefore, each and every nation has its own unique sets of restrictions and standards which regulates trade in the country. To ensure that these rules, standards, and procedures do not impede trade, this agreement was established by WTO. It does not prohibit the countries from having their own sets of standards, but they are urged to accept international standards in order to maintain uniformity. It motivates and encourages the member nations to remain aware of the most recent technologies, procedures, and standards so that their products are in accordance with these standards and procedures.

3.2.5 WTO Trade Disputes and Anti-Dumping Measures

Dispute settlement mechanism is one of the most important bodies under WTO's ambit and was absent under GATT and therefore, is the distinguishing feature between the two. It establishes the procedures and rules to govern dispute resolution. The Uruguay round of WTO detailed the mechanism and the time frame for resolving the disputes. The case must be resolved within 15 months, given that appeal has been filed in the case. Restrictions imposed by the organisation on the matter of time are not stated rigidly.

Flexibility is there, and it is based on the case, for example, an urgent case may take three months less. WTO members use a multilateral dispute resolution mechanism, which means that if they discover that other members are breaking the rules, they will follow the agreed-upon method rather than take unilateral action.

The agreement explicitly stated the standards that are going to govern the process of identifying the cases of dumping and countries that are involved in the practice of dumping. The course of action with regard to the measures of anti-dumping and the time-frame in which these measures of anti-dumping will be implemented are explicitly stated in this WTO agreement. Dumping is defined as a practice where a producer exports or sells its goods in a market other than its own domestic market where prices for the overseas market are kept lower than the prices for the same product in the domestic market. It is not the case that every time a country engages in such activity (dumping), it will be subject to the measures mentioned in the agreement. The measures will be used against the country only when the dumping of a commodity causes severe harm to the rival domestic industry of another country. There are numerous methods for determining whether the price of the product set for the foreign market fluctuates significantly away from the domestic prices or not. Member countries, as per the agreement, should promptly and thoroughly inform the Anti-Dumping Practices Committee of all the actions taken in this respect.

3.3 India and WTO

India has been a member of WTO at its inception in January 1995 and is considered as one of its founding members. The main objective behind India in joining WTO was to enhance its trade in the changing global trading system. WTO's primary goal in this highly interlinked and globalised world is to encourage expansion in trade through trade liberalisation. India proactively supported the rule-based order, which was established by WTO to enhance its trade with other nations.

When India joined WTO, it committed itself to tariff binding, moderation of tariffs, and framing its domestic policies and rules in such a way that it will protect and oversee the intellectual property rights that are specifically related to trade. Towards this end, India also abolished import licensing for most of the commodities. These changes favoured liberalised imports. It removed restrictions on large scale entrepreneurial initiative and foreign direct investment in many sectors. Therefore, it is believed by many research

analysts that India's membership in WTO benefitted India in the form of expanded and diversified trade.

India's policies related to foreign trade have undergone a lot of changes since its independence. These trade policies mainly focus was on enhancing the trade to match up with the ongoing growth and development process of the world economies. Policies formulated by the respective national governments in order to enhance its process of growth and development tend to get influenced by the nation's bilateral or multilateral agreements or by its membership in the international organisations. This can be easily seen in India's 1991 LPG reforms and in its foreign trade policy which reflects India's commitment towards the WTO membership. These reforms mainly focused on opening up the economy, liberalisation, simplifications in trade procedures, and transparency. In addition to these reforms, WTO's membership provided India with an environment which was more advantageous for exports and gave India access to new markets.

The reform that were dubbed as second-generation reforms, were put into effect, like the establishment of the regulatory mechanisms, liberalisation in the financial sector, positive change in the investment climate, etc. More freedom was given to private sector enterprises to seek investment and opportunities. Towards infrastructure, steps like the expansion of highways and roads, modernisation of airport, and reforms in the telecom and power sectors have been taken. Overall emphasis was put on improving governance and transparency in the Indian economy.

India formulated and reframed its foreign trade policies to adhere to set standards and rules as it is one of the organisation's founding members. Being one of the founders, it is obligated as well as pledged to pertain to the WTO accords on the transparency and trade liberalisation. Also, it will enact its foreign trade policies by keeping in mind these principles. As of now, India has fared well in adhering to its WTO commitments. The import ban on the majority of products has been lifted. India reduced its import tariffs from around 150 percent to 10 percent on non-agricultural products. It has also phased out various export incentive programs, as various agreements under WTO necessitated the elimination of such trade-distorting export subsidies.

The EXIM strategy of 1992-1997, cut tariff rates from 71 percent in 1993 to 35 percent in 1997. However, the structure of tariffs remained complicated. Also, custom tariffs have been reduced from a peak of almost 300 percent in 1990-91 to a

low of 40 percent in 1997-98. The EXIM strategy highlighted in its policy “more than 3000 tariff lines encompassing raw materials, capital goods, and intermediaries products were exempted from import licensing requirements, as of 1995”. The number of items that require import licences had also come down. Policies related to FDI were liberalised, allowing foreign direct investment in a variety of sectors.

The table below shows how after the WTO’s membership, India’s tariff rate on the products has come down over the years making India’s product competitive in the world market.

Table 8: India’s Stance on Average Tariff Reduction (in percent)

Year	Consumer goods	Intermediate goods	Capital goods	All
1991-92	97.8	69.5	94.8	72.5
1992-93	83.2	62.6	85.2	60.6
1993-94	68.7	47.6	58.4	46.8
1994-95	55.9	38.4	45.5	38.2
1995-96	36.1	22.9	29.1	25.9
1996-97	39.0	21.9	28.8	24.6
1997-98	33.8	46.1	25.1	25.4
1998-99	37.9	31.1	29.4	29.2
1999-00	37.4	33.1	31.0	31.4
2000-01	56.2	36.2	34.4	35.7
2001-02	67.2	34.8	31.8	35.1

Source: Planning Commission

Earlier 894 products across different categories, which included agricultural goods, textiles, and consumer products that were subject to import restrictions, were liberalised. By 2001, India had abolished most of the quantitative restrictions¹ imposed previously due to BOP policies. Also, earlier 714 products were subject to the licensing and quota restrictions. Later, the restrictions were abolished from these products. India was eager to remove all the barriers that were restricting its trade with other countries owing to its commitment to the WTO. India also committed that the quota and licensing on the remaining 715 items that were not covered earlier, would be eliminated by April 2001.

Further, to promote exports, the foreign trade policy laid down the rules for the establishment Special Economic Zones² (SEZ) in the country and gave them adequate

¹ These are the restrictions that are imposed on exports or imports quantity for a specified limit.

² These are the zones which are especially created to promote exports. These zones have different economic regulation than other parts of the country.

powers to function freely. In India, SEZs were launched in 2001. Agricultural Export Zones were also established to ease exports of the primary products.

Quantitative restrictions on most of the exports were removed by the EXIM Policy of 2002-07, barring a few items. Trade was further liberalised by the EXIM policy of 2004-09. The EXIM policy of 2009-14 focussed more on the promotion of exports.

So, it can be clearly seen that as a result of India's involvement in various multilateral agreements and, most importantly, because of its membership in WTO, India's trade strategies with respect to foreign trade had a substantial impact. Earlier, on its imports and exports, India had in place a number of quantitative restrictions i.e., beyond a specific quantity, the good will not be exported or imported. As India was one of the founding members and due to its adherence to the rules and standards set under WTO, India has agreed to abolish these restrictions. Also, it has implemented a number of steps aimed at streamlining procedures and promoting the exports. India has now begun to actively participate in the WTO negotiation process, which in turn will determine its new trade policies and is going to affect its future international policies related to the trade aspect.

3.4 Russia and WTO

Russia always wanted to join WTO, which is evident from the fact that in June 1993, Russia applied for membership in GATT, WTO's predecessor. Russia wanted that by the end of the century, it should get the organisation's membership. But it was not successful because of the following reasons-

1. Post 1991, after the dissolution of USSR, Russia took over the seat of the USSR in WTO and other organisations. The new government started framing new regulatory and legal frameworks. Engaged in shaping itself to the new political and economic order, the leaders paid little attention towards a bid for the membership and the whole process took a backseat.
2. The financial crisis of 1998 was another reason. Following the crisis, Russia devalued its currency, the Rouble, and also defaulted on its debts. Higher officials were taking immediate steps to stabilise the economy from the effects of the crisis. This diverted the attention of the authorities from the issue of membership.

To join the WTO, the primary goals that were part of Russia's bid were-

- a. to acquire the advantages and benefits of the new trade environment.
- b. foreign market access and non-discriminatory and unbiased treatment for the Russian exporters.
- c. Access to the international dispute settlement mechanism.
- d. Building a more favourable environment for the foreign investments.
- e. The quality of the domestic goods will be improved as a result of the inflow of foreign goods. This will increase the competitiveness of the economy, which not only benefits the domestic consumers but also enables growth.
- f. Investors of Russia will get new opportunities in the world economy as they were earlier exempted from investing in some parts.

Seriousness towards WTO membership surfaced after Putin announced that the goal of WTO membership as one of the aims of his presidency. Putin's declaration gave the much-needed impetus to the issue of membership.

A report titled "Russia's trade policies review" was released in 2001, which became the basis for Russia's Protocol of Accession. The first draft of this report was reviewed in around April 2002 by WTO's working group for Russia's accession. This indicated that Russia has reached the final stage of the accession process, during which negotiations regarding its entry conditions took place, and adoption of the necessary legislative amendments took place. However, due to numerous differences between Russia and the other nations, the completion of the final stage got delayed.

As per the analysts, the process of Russia's accession to WTO is fascinating owing to three reasons. Firstly, at the time when Russia applied for the membership, around 30 countries also applied for the same. Russia was the largest amongst all the applicants in economic terms. So, it was believed that Russia's accession would not only benefits Russia but also other member countries in terms of an increase in trade volume. Also, other CIS countries were also among the applicants, and the importance of Russia amongst these CIS nations made Russia's accession more beneficial. It was of great interest from analysts side to see how Russia's accession is going to change the game for these countries.

Secondly, in 1993, when Russia applied for membership, it was in the process of transforming its economy into a market-based economy. New sectors were emerging, and new rules and regulations were being formulated, which were non-existent in the prior

economic system. Moreover, amendments in these rules and regulations were necessary for any member country to synchronise its legislation to the sets of rules and standards administered by WTO. Necessary steps were taken by the government to fully enforce new rules and laws, since earlier, the economy was governed on the basis of informal rules, and official discretion played an important role in the legislative process. Therefore, many of the member nations shared their doubt regarding Russia's membership that whether it would be able to remain committed to the rules and standards of WTO. So, this became the next important point of interest how these rules and laws would be legislated. Lastly, it was believed that Russia's accession would be more complicated because its economy was going through a transition process towards becoming a market economy. It would be difficult in comparison to economies that had well-established market structures. Therefore, it would be interesting to note how Russia would proceed through the accession process.

It was believed by analysts and scholars that membership in WTO would provide obvious economic advantages to Russia. After 1991, for over a decade, foreign trade has grown in importance for the Russian economy, with the share of exports in total trade rising to around 40 percent in 2002 from around 20 percent in the early 1990s. This was in terms of the percentage share of exports in total GDP. Crude oil, gas, metal, and fuel accounted for more than 75 percent of total exports in 2003, leaving the country unduly reliant on volatile international commodity markets. Therefore, Russia needed to diversify its exports to other higher-value-added items in order to achieve a growth rate that could be sustained over the long run.

Russia had a more complicated analysis of the anti-dumping rules, which made it hard for the producers and businesses of the country to look for a new market to expand their businesses, and because they were outside the purview of WTO, other countries could not ask Russia to interpret the rules as per the set standards. As per the data made available by the Russian Ministry of Foreign Trade, "about 120 anti-dumping actions were against Russian products, which was costing the country of around US\$ 4 billion every year". Although WTO accession did not exempt a government from protective action, it did grant access to its dispute settlement mechanism.

Membership in the WTO also implied that the Russian market would be more liberalised. Also, competition was limited in a number of fields, and quasi-monopolies were common.

Therefore, international competition would help to remove inefficient producers while creating equal opportunities for dynamic small and medium-sized businesses.

The Russian economy was to be benefitted from the implementation of WTO norms in sectors like investment laws, intellectual property, and trade in services. Also, WTO establishes a more transparent environment for the businesses, which helps in attracting foreign investment, which is very much needed by any economy. In sum, the benefit of joining the WTO would be a better business environment and, therefore, a growing economy. Also, membership in the organisation provides a platform for free trade agreements. The removal of barriers to trade promised to make trade between Russia and the world more diversified and smoother, with more significant economic opportunities.

Under the presidentship of Dmitry Medvedev, Russia joined the WTO after 18 years of negotiation at a ceremony in Switzerland. Russian membership after the Russian war with Georgia was blocked by Georgia, and finally, a deal between Russia and Georgia brokered by Switzerland made Russian accession possible. Russia was also the last member of the G20 grouping to join WTO after China became a member in 2001.

In August 2012, the Russian Federation joined WTO and became its 156th member. After joining the WTO, Russia agreed to bind and cut export levies on 703 tariff lines. It also agreed that it would reduce the export duty to zero for 495 of these tariff lines by the conclusion of the implementation term. The accession to WTO led to improved and better resource allocation within the country along with increased competition. It also led to changes in rules and regulation, which has been long due, like changes in the business environment, corruption complaints, protecting minority stakeholders, and securing an independent judiciary.

Many studies were conducted by World Bank to estimate the range of benefits that were to be derived by Russia after acceding to the WTO as a member. Estimates were made on the basis of all the available data in this regard, and studies differentiated between gains on the basis of time. It was estimated that, in the short run, there would be 3.3 percent of growth in GDP and 11 percent growth in the long run. The sectors which would benefit the most were chemical industries and ferrous and non-ferrous metals.

3.4.1 How Russian membership benefitted the Indian economy

- 1) Russian accession to WTO brought significant benefits to India, one was greater market access to India's export of goods and services, and second, it made Russia implement

enforceable established multilateral rules of trade, giving market access opportunities to other nations without discrimination and reduced its custom fee.

- 2) India's strength lies in the service sector, and Russia's commitment regarding enforceable market access covered the service sector, which benefited India. It included telecommunication, financial services, including insurance, banking, etc., audio-visual and the services related to the energy sector.
- 3) After WTO's membership, the government in Russia needed to change its trade policies, rules, and standards, which had to be in line with the WTO rules. These included sanitary and phytosanitary measures, subsidies, and technical barriers to trade, thereby negating any arbitrary action that may have affected India's exports.

3.5 India, Russia, and WTO

3.5.1 Areas that have the potential to grow in terms of exports and imports

Because of its vast landmass, Russia has a leg up on the competition when it comes to agriculture. From Russia, vegetable oil and grains are the most common agricultural exports to India. Measures have already been taken to enhance Russian agricultural exports to India, where companies from Russia have made shipment trials to India. As agricultural products are perishable in nature, such trials will help in estimating the time taken for making these goods available in Indian market and will also help in determining the further measures to improve on this front. The Russian side also recommended that further cooperation between the two countries is needed to realise the full potential of Russian exports to India. Russia's resources and India's rising demand for fertilisers also provide an avenue for further cooperation.

As per the data available from the Indian side, it was found that India's exports to Russia are much below their potential. Agricultural products, such as nuts and fruits, beverages like coffee and tea, tobacco, vegetables and animal fats and oils as well as other animal products are promising categories of export products. Additionally, steel, iron, and other metals, textiles and cotton especially the category of ready-made garments and staple fibre yarns, are the prime sectors identified wherein the exports from India to Russia can be raised. Processed fruit items, dairy products, meat products, and other specialised products could potentially be exported by Indian exporters. As a result of unusual factors such as cost and Indian product's distribution network, Russian imports of Indian pharmaceutical items have specific benefits.

Exports of leather and coloured rare and semi-precious stones, as well as jewellery made of precious metals, have enormous potential in the Russian market, especially in light of India's global dominance.

Fresh and dried grapes, mangoes, potatoes, and groundnuts are among Russia's top imports products. These crops, along with food grains, vegetables, and fruits can be exported from India. The EU is no longer Russia's primary source of frozen gherkins. Russia now imports the majority of its gherkins from India. Exports of Gherkins from India should be granted GSP status so as to increase trade in the product. The import duty was reduced from 25 percent to 11 percent, according to the Indian side, in order to increase exports from India.

Russia heavily depends on imports from Holland for flowers for most of the year. It took 4-5 days to reach the flower from Holland to the Russian market, which reduced the quality, but still, these flowers got higher prices. India can take advantage of this demand on account of the impressive air connectivity between the two nations. Unfortunately, the number of Indian flower shipments to Russia has not increased significantly. In order to simplify flower exports from India to Russia, information on the Russian market's significant consumers and the quality criteria required for the Russian market should be shared between the two countries.

India has been amongst the largest exporter of Tobacco to Russia for a very long time. Tobacco imports to Russia have surged to a record-breaking 300 million kilogrammes. However, over the last 7 to 8 years, the share of India in the imports of Russia has decreased, which used to constitute around 30 percent in the 1980s. Tobacco exports from India surpassed those from China for the first time in 2005-06, as a result of the country's consistent, low prices for the product, the large production of the crop, and also due to the high and finer quality, especially of filler tobacco, all of which contribute to a favourable price/quality ratio. In the last five years, India's tobacco production has multiplied and now stands at roughly 240 million kilogrammes. In particular, India is ready to deliver enormous amounts of tobacco at reasonable prices to meet the demand of the manufacturers in the Russian markets. In addition to this, there is a considerable scope for the Indian manufacturers to increase their share in unmanufactured tobacco to roughly 15 percent from the current share of 9 percent. Possible collaboration in this area must be assessed first from both the side as the sector holds huge potential.

According to Russia, agricultural cooperation shouldn't be restricted only to the product shipments. Russia has also pitched for their superior technologies in the area, such as the construction in India of a sparkling wine facility using Russian technology. Russia has developed its own methods for making fermented milk products, which might be offered to India. Also, Russian heavy equipment has traditionally been an important part of India's import basket. Along with this, the Russian side also seemed to be interested in increasing and expanding the export of machine-building products to India by offering India a wide range and good quality products. It is worth noting that the reputation of Russia's agricultural machinery manufacturers for their low-cost but high-quality products are widely known. India can take benefit from this technology.

Low-cost and high-quality Indian goods are seen as a significant advantage for India. In spite of this, transportation costs remain a major impediment to increasing trade volume. Availability of the local textiles in Russia is insufficient and also Indian rivals provide a limited range of clothing and therefore, Ready-made garments (RMG) exports to Russia have good prospects. In addition, India also provides vast pallets and range of clothes and other Indian textiles. India's readily availability of fashion gloves which are of high quality, high-end polished and premium leather footwear are among India's strengths in this domain. Turkey and China are the major competitor in the field as well as leather alternatives from Japan could be a problem. As the market expands, new opportunities rise on a regular basis. Therefore, improved Russian market expertise and a broader awareness of Indian leather products by Russian buyers are needed.

There is a lot of room for growth in the exports of car parts and other automobiles to Russia from India. Also, there is a huge scope for Indian automobile assembling in Russia.

The Russian side believes that new Russian civil planes and helicopters can be supplied or leased to India to meet the growing demand for air transportation. Additionally, the Russians recommend exploring the possibilities of working together on aircraft engineering projects that cover the entire manufacturing cycle.

Biotechnological cooperation is also one of the critical areas of cooperation between the two countries. For the area, both the regions are looking for cooperation in fields such as antibiotics, hormonal therapy, fermented albumen, and development in vitamins, among others. Russia also seems to be very interested in developing the synthesis of compounds

and a new generation of antibiotics that are ready for use through the collaborative programme with India.

Additionally, Russia is also interested in supplying India with a wide range of healthcare products, including mobile medical complexes that can be used to quickly assess the epidemiological situation and the health of a population in a remote area and to provide special medical units with services. Also, in the area of pharmaceuticals, vaccinations for poliomyelitis, roseola, and other diseases that are immune-biological in nature are at the forefront in Russia. So, Russia could help in the development, production, and delivery of such vaccines. Veterinary medicinal items manufactured in Russia can be exported to the markets in India. In the pharmaceutical industry, India holds many advantages, which include a wide range of well-known products, herbal remedies of which Russia could take benefit of.

Gem and jewellery commerce between the two countries has the potential to grow. In the diamond industry, India and Russia share a natural synergy. Indian industry processing rough diamonds is fairly advanced. So, a lot of scope exist in the sector.

Russia has become one of the world's leading suppliers of hydrocarbons. To engage in large projects like the building a major pipeline, major Russian enterprises have both money and technology. For this, a Memorandum of Collaboration was signed between ONGC and "Rosneft" and was a crucial step in the progress of combined efforts in the gas and oil sector. Russian deposits in East Siberia and Sakhalin could expand oil and LNG supply in the future, according to the Indian side.

Considering the fact that India and Russia were always had a friendly relationship, India can use Russian enterprises to assist in the building and rehabilitation of power supply systems. These poor supply systems can generate power through thermal, nuclear, or hydropower plants.

3.5.2 Trade barriers which restrict trade between Russia and India. And the steps that are taken to remove these barriers.

1. Logistics and Transportation

Trade between Russia and India has been carried out through St. Petersburg and Novorossiysk since the fall of the Soviet Union in 1991. Due to diversion of traffic from Ukrainian to Russian ports, Novorossiysk saw long lines and an overabundance of passengers throughout the 1990s. However, due to its high cost and complicated customs

processes, St. Petersburg was no longer the chosen port of entry for most imports. Even while ice-cutters and convoys kept both ports open year-round, the winter freezing problem posed an additional challenge to trade and commerce in general.

Trade through third nations has been taking place on account of Russia's high demurrage prices and unreliable and expensive warehousing. Consequently, products destined for Russia take alternate routes, putting them at risk. Dubai and Hamburg are two locations where commodities can be imported before being exported to Russia. Tallinn and Riga are also cities where goods are transported.

According to the Russians, there are also issues with handling facilities and turnaround times at several Indian ports for Russian enterprises. The Indian government has taken significant steps to modernise its ports, according to the Indian side.

The solution to the above problem, as suggested by Russia, is the creation of SEZ and fast completion of INSTC.

2. Language and Information barriers

Russia and India's trade has been highly affected and harmed by a lack of information exchange between the corporate leaders of two countries. In this regard, conferences and exhibitions were continuously organised by the Indo-CIS Chamber of Commerce, CII, and FICCI in conjunction with the Chambers of Commerce and the Russian government. Along with this, efforts are also made towards enhancing the number of trade fairs between Russia and India by increasing the number of significant Indian and Russian cities participation, as well as covering all possible sectors for increasing the trade between the two countries.

Suggestion for the periodic evaluations of trade fair attendees is made in order to identify "bottlenecks" and uncover issues that obstruct the formation of business relationships. Foreign language barriers have made it difficult to learn about opportunities in other countries. Regular information exchange regarding projects with potential cooperation is necessary, as is the establishment of channels for the continuous circulation of business-related information prospects in India and Russia.

Another issue is regarding tenders. Tenders that are sponsored by the state in Russia and India are not well-documented. It is a fact that the effectiveness of bilateral economic and commercial interactions is dependent on both parties sharing information openly and freely. Shared information on the market, regulatory frameworks, trading regulations, and

investment prospects should be institutionalised by the Government departments and industry groups. Also, proper documentation of tenders is required to enhance the trade.

3. Trade Barriers that are technical in nature-Regulations, Certifications, and Standards

There are certain procedures and rules that are in conformity with national legislation and laws, as well as differences in technical product requirements, such as mandatory requirements, could inflict barriers for the international trade. These trade restrictions are called “Technical Barriers to Trade (TBT)” or “Sanitary and Phytosanitary Measures (SPS)”. WTO agreement known as the “Agreements on Technical Barriers to Trade” exercise control over these trade restrictions. WTO will prove to be helpful in this aspect.

International standards, guidelines, and recommendations should be used to develop health and safety legislation and standards that are in consonance with the standards in USA and other western countries. Therefore, Russia and India should make available all the essential information and documentation on laws, rules, and regulations that influence trade in such products.

4. Non-Tariff barriers related to trade

Everything that is traded out of Russia, with the exception of debt repayment, is contingent upon the creation of a letter of credit (LC) by the Central bank of Russia. Historically, no guarantee is provided by the Central bank of Russia to any of its banking institutions to foster trust in India. Similarly, banks in India do not accept Letters of credit from Russian banks without a guarantee. Many Indian and Russian businesses have complained that the current situation is preventing them from doing business with each other because of the increased expenses and time it takes to provide financial services.

In this regard, Indian banks have received a list of the top ten Russian banks from the central banks, which has eased the procedure of accepting Russian banks guarantee. A team of Indian banks could potentially be sent to Russia to meet with their Russian counterparts, as requested by the Central Bank of India i.e., RBI. A member bank’s ability to take a guarantee depends on its connection with that bank and the bank’s ability to make commercial decisions.

According to the Indian side, Russian visa restrictions for Indian business people have undergone a dramatic shift in recent years. The high costs of services and boarding at regular Russian hotels make it impossible for business travellers to get a visa without providing a full guarantee of boarding and medical insurance. A formal invitation from the

Russian Ministry of Foreign Affairs is also required. India still has not decided to enter into a Re-admission agreement with Russia. If any nation wants to reduce visa-procedures in Russia, then signing this agreement is a pre-requisite or one of the necessary conditions that should be fulfilled, and the Russian side emphasised their position that negotiations on this should begin as soon as feasible. According to the Indian side, expedited visa procedures for entrepreneurs and businesses should be implemented. It is possible to get a Russian visa for business people from India if they get a recommendation from an Indian trade body or export promotion council.

5. Tariff related Barriers

Diamonds, automobiles, pearls, packaged tea, and other valuable metals are subject to a high levy.

Both countries customs administrations encounter many of the same difficulties. In order to compete in today's global economy, both nations are aiming to satisfy international standards. Since both countries customs have significantly updated their operations in terms of IT, government of both the countries are seeking foreign expertise in current forms of Customs control in order to expand their own capabilities and learn from each other's experiences. As a result, a customs collaboration between India and Russia would give the necessary chance to improve the measures related to the system of risk management, apparatus of enforcement, and trade facilitation.

Over the past few years, India has made significant strides toward aligning its procedures related to customs with the best practices that are followed internationally. In this context, the implementation of the EDI (Electronic Data Interchange) system has greatly aided the improvement of customs procedures. As a result of this system, a high-priority arrangement for qualified importers has been implemented on a fast-track basis, under which they are permitted to complete customs, pay tariffs, and complete all the paperwork on the goods that they import from India based on self-assessment. This simplified the procedures to a great extent.

For the eligible importers, which are determined on the basis of their past performances, an additional channel service by the name Green channel will be established so that these importers will transport their cargo without any need of inspection. Traders can check the status of their papers using the Touch screen kiosks and Interactive Voice Response System that have been installed.

Customs processes dealing with the verification of the origin-destination, transshipment, and assistance in arbitral proceedings between the two countries are critical to promoting commerce. Customs procedures that are far simpler and more efficient will also result in less delay at ports. ICEGATE Gateway was built by the Indian Customs toward this end. It is an electronic filing service portal for cargo carriers, exporters, Custom housing agents, importers, and other stakeholders of the Central Excise Department and the Customs.

In Russia, revisions to the already applicable federal law have been proposed in order to enhance the effectiveness of licensing by decreasing the number of activities that are subject to licensing. The initiative by Russian government has made the process of obtaining licenses very easy in Russia, as well as procedures of exporting products that is subject to licensing, as stated by the producers and manufacturers of Russia. On the similar line, in India, the development of an automated information system for a single state for accounting and verifying compliance with regulations concerning the flow of goods across the Customs border of the Russia of monitored and licensable goods is underway.

There is a significant amount of opportunity for improving trade in sectors that are promising but where trade potential has not been fully exploited up till now. These sectors principally include exports of machinery, autos, gems, and jewellery, as well as agricultural and food items. The rationalisation of tariff lines, the establishment of joint ventures, and the exchange of information may all be beneficial to both parties in these areas. In addition to military goods, steel and machinery has been Russia's most important export to India. This might get boost further with the rationalisation of rules, standards, and procedures.

So, after analysing all the potential areas where both the nations can improve their trade potential and remove barriers, both the countries started to work towards improving their economic ties under the ambit of WTO.

Following the Soviet Union's breakup in 1991 and Russia's assumption of the Soviet Union's former seat, the cooperation between the two nations has remained as strong as it has been in the past. The volume of non-military trade between India and Russia stayed extremely low until 2006, and there few indicators to suggest that it would improve. So, both countries have taken a number of initiatives to collaborate on this front, including meetings of the high ranking official, G-2-G meetings, a trade agreement, and discussions

on the margins of multilateral organisation meetings. As a result, both the nations have begun to see improvements in their respective economic conditions. As both countries economies grew, so do their trade figures. Both countries have also evolved into among the most popular investment destinations.

A series of reforms have been implemented in India, particularly in the areas of trade and finance. Because of India's commitment to join the World Trade Organisation (of which it became a member in January 1995), the country has committed to the establishment of "binding tariff rates", changing and moderating the structure of some tariff rates that are already in existence, and also India decided to enact some national laws and policies in order to safeguard the trade practices that are related to intellectual property rights (IPR). The practice of requiring import licences has been effectively eliminated. These modifications, taken together, resulted in a more liberalised system for imports. Moreover, discouragement of the large commercial initiatives and foreign direct investment in specific industries (such as power and textiles) were abolished at the domestic and global levels.

Therefore, it can be concluded that both the nations were taking a lot of steps in order to enhance economic relations and achieve new heights in respective trade figures.

Under the ambit of WTO, a lot of steps were taken by both the government to enhance their trade, and some of them are:

1. Organising industry-specific exhibitions and fairs, conferences, to be attended by representatives of business communities of both the sides.
2. To overcome the language barriers and obstacles which were in existence between the two countries, it is very important that the English language must be used to facilitate the sharing and exchanging of important piece of information.
3. Information in both Russian and English language to be made available on the website that are created for providing information regarding-
 - a. Investment and trade opportunities to enhance the bilateral trade between Russia and India.
 - b. Knowledge about the legal framework, certification processes, procedures, and standards.
 - c. Venues and dates for organisation exhibitions and trade fairs in both countries.
 - d. Government procurement opportunities.

- e. Tenders and projects of both nation's regional governments.
 - f. The list of buyers and sellers of specific products.
4. Organising travels for journalists from India and Russia to each other's nations in order to familiarise them with each other's countries economic climates and facilitate information transmission in order to build confidence between the countries.
 5. Organising seminars between India and Russia to share knowledge about business methods in both countries.
 6. Assembling a team of experts that can provide frequent updates on business prospects in Russia and India. Tender-related information can be delivered to these organisations on a regular basis in English. These agencies are the Embassy of India in Moscow and the Indian CIS Chamber of Commerce, along with the Council on the Export Promotion and other organisations. This also includes the Russian Chamber of Commerce and Industries, the Indian -Russian Business Counsel, the Trade Representative Office of Russia in India, the Russian Union of Entrepreneur and Industrialists.
 7. Regular meetings between the business groups of both the countries representing the various industries.
 8. Establishment of Trading Houses in both India and Russia.
 9. India and Russia should work together to find a solution to the visa issue, with regard to business and work visas, that is mutually acceptable. There is a Statistics and Customs Cooperation Agreement in place between the customs administrations of both countries, which allows for regular information exchange. It also put into action the protocol for exchanging data prior to the arrival of goods from the two nations and to rekindle the sharing of socioeconomic development statistics between the two countries statistical agencies

Both the countries are also working on the removal of the informal trade barriers by opening a Letter of Credit with the banks that they listed. From the listed banks, banks with which the letter of credit will be opened are selected by the respective Central bank of both nations after consulting each other. In accordance with the standards of WTO, both are considering the potential of Mutually Recognition Agreements (MRA) on safety standards and health issues and also on the equivalences and conformity assessment for the specific group of commodities. Consideration of mutual acceptance of certificates granted by the

certification authorities by the relevant Indian and Russian technical bodies is also in the talks. Efforts have also been put toward streamlining and speeding up the certification process.

Negotiations on the Comprehensive Economic Cooperation Agreement (CECA) should take into account rationalising tariffs and considering bilateral tariff liberalisation in order to comply with WTO standards. Clear, consistent, and transparent Rules of Origin (ROO) would be necessary for this.

It is also highlighted that the tariff classification in Russia must be standardised in accordance with international standards in order to alleviate the challenges associated with the classification of diverse types of goods. This will help in increasing the trade volume between the two members.

3.5.3 Services

Services play a very significant part in the economies of both the developed and developing countries, which can be seen from the increase in commercial service trade, which in 2005 amounted to USD 2500 billion, which was only about a quarter of total merchandise trade. But now, a total of 30 percent of the world employment and 60 percent of the world trade are derived from the service sector.

A majority of India's GDP in 2005-2006 was accounted by services, while services exports share was around 40 percent in the overall exports. It is also expected that the growth rate of the sector will quicken in the near future. Also, the importance of the services sector, in the last few years, has grown in Russia as well. The services industry and trade in services has both increased in Russia. In 2005, approximately 55 percent of its GDP was generated by the service sector. Russia's services exports surged by a whopping 21 percent in 2005 as it moved to \$24 billion from \$20 billion. Russia, on the other hand, imports more services than its exports, and its imports totalled \$39 billion in 2005, which was up from \$24 billion the year before. There is a lot of scope in this particular sector for both the nations.

Both Russia and India have made a striking improvement by increasing their share in the export of services in the world. Services to Indian construction companies are currently the most critical areas of service trade between the two countries. Taking into account the structure of Russian services output, it is expected that certain modifications in this field are anticipated. Services exports from India to Russia currently accounts for a substantial

percentage of Trade in services between Russia and India. Furthermore, the services are mainly related to construction and maintenance equipment.

There are still a large number of sectors, including trade in services, whose potential has still not been realised and enhancing cooperation targeted towards them will benefit both the nations. It is observed that in certain instances domestic rules and regulations of a country restrict the providers of services from entering the country's market even when the foreign state has made a commitment to that effect. So, it can be concluded that a company's ability to establish a business presence in another country may be hampered by regulations in that country.

Competitive services, especially in Mode 1 services that includes supply across the border i.e., flow of services between the two countries like banking services, can be promoted in both the nations, especially in the health sector. Tele-medicine and tele-diagnosis are one of the possible major sectors for high-tech and mutual cooperation between the two nations.

3.5.4 IT Sector

India is one of the world's most prominent IT hubs. The most important factors in India's competitive advantage are its high-skilled workforce, cost-effectiveness, and reliable telecommunications. Because of its unique combination of advantages, India has become the go-to location for IT-BPO outsourcing. It is expected that India's proportion of global sourcing has increased. When it comes to determining the desirability of a potential sourcing location, India appears to have a distinct advantage. India's long-term leadership in global service delivery is largely due to the quality and skill of its service delivery processes.

The IT sector of the Russian economy is the sunshine sector which is growing very fast and is the most active sector of the economy. But the cooperation between these two nations is quite limited in this particular sector. Reasons for this limited cooperation can be many, but mainly, it is analysed by scholars that it is because experts in both the nation's market are not very familiar with the capabilities that the partner nation holds and also not very aware of the fact that potential for the cooperation exists in this sector. So, a lot of scope for cooperation is there, like in maritime transport services, infrastructure, computer hardware, telecommunication, energy, etc. Investment and strategic alliance in areas such as computer hardware, IT devices, and telecommunication networks should be a priority for India and Russia. It's time for both parties to take steps to explore areas for collaboration. In an effort

to do this, it is important that Indian IT and Russian companies must convene a joint meeting.

As recently as 2000, the Russian telecommunications sector has grown at a rate of about 30 percent per year, making it Russia's fastest-growing industry. Also, the telecommunications industry in India is booming, and it is expanding at a rapid pace. The country's mobile market is booming. However, Russian enterprises efforts to enter the Indian telecommunications industry have thus far yielded no tangible results. So, a lot of scope of cooperation exists in the field.

It has been determined that future cooperation between Software & IT and Ayurveda should be a top emphasis. Some of the most promising future research areas include immunomodulators and next-generation vaccines; commercial IT park cooperation; collaboration in the fields of telecom medicine; cyber security and forensics; nanotechnology; stem cell research; robotics; cybernetics; and cooperation in the development of space technology.

3.5.5 Financial Sector

Together, both India and Russia need to work in order to modernise financial institutions that are located domestically in order to boost their ties. In particular, both parties should work together in the financial sector to share their experiences and to foster regulatory cooperation in order to improve and strengthen the infrastructure in the financial sector and to ease the financial market development and progress. Given the importance of increasing competitiveness and efficiency in the financial markets in both the nations for fostering economic growth and cooperation, it has been suggested that both the sides should keenly work towards enhancing their responsibilities and commitments in financial services. It is suggested that financial regulators of both the countries should meet to discuss ways to improve cooperation in this area. Both India and Russia must investigate measures to encourage banks, on both sides, to open branches in each other's country in an effort to enhance the trade not only in commodities but also in services.

3.5.6 Research and Development

India's progress in research and development in nanotechnology, biotechnology, pharmaceuticals, and automobiles has made it capable of providing services to Russia in these areas. On the other hand, Russia has taken a lead in areas where there is extensive application of mathematical sciences from which India might benefit. In addition, the two

countries might collaborate in the sectors of energy, biomedical technologies, space, lasers, metallurgy, that includes non-ferrous and rare metals and accelerators. Joint dedicated research centres could be formed to guide and supervise research in the above-mentioned areas.

3.5.7 Tourism

The number of tourists travelling across the border of the two nations has increased significantly in the past few years. Goa and Kerala are seeing an 8-10 percent increase in the number of Russian tourists each year, thanks to charter flights from Russia. Media campaigns targeted towards promoting the destinations in both the countries and international events that are targeted and focused on development of major sectors must be the area of joint action in order to stimulate services commerce. It is imperative that the quality of tourism services be given special consideration. This problem could be remedied by establishing internship programmes for the students and performing inter-hostel and inter-company guidance for specialists in the tourism industry. A special economic zone for tourism and recreation has now been established in seven regions.

3.5.8 Education

Numerous Indian students are pursuing higher education in other countries. Aside from medicine and engineering (including construction and automation), information technology (IT) and industrial and domestic design are among the most sought-after majors by Indian students studying in Russia. Approximately 800 Indian students go to Russia each year to study, a disappointingly low figure considering the fact that the Russian educational system has tremendous opportunities on offer across diverse disciplines.

By organising seminars, workshops, and education fairs for Indian students, Russian higher education institutions can better promote their educational prospects. However, there is still a problem with Russian and Indian degrees not being mutually recognised. An agreement on mutual recognition and equivalency of educational documents between the two nations is consequently recommended in order to allow for greater student mobility and cross-border scientific and cultural exchange.

Both countries must participate in the education and training of qualified employees in the government and corporate sector in order to expand their bilateral economic relations. They need to further undertake joint projects, invest, and establish cultural, educational, and tourist ties between each other.

3.5.9 Energy Sector

Russia can supply services and investments to India's expanding gas and petroleum sector, in particular with regard to exploration and plant and pipeline construction. It is possible for India's new thermal and hydel power facilities to draw on the expertise of Russian engineers and personnel. In addition to this, geophysical services in the gas and oil business can also be provided by the Russian side to India.

In the field of energy, cooperation is needed. As in the case of oil reserves, Russia holds sixth largest position in the world. On a daily basis, it produces 9.2mbpd (million barrels per day). In terms of oil exports, Russia is the second-largest behind Saudi Arabia. When it comes to Eastern Siberia projects, the Indian government has said that it is willing to provide significant financial resources to help Russia meet its daily oil. Indian cooperation in Russia's energy industry might take several forms, from active participation to a long-term plan in which Russia becomes an integral part of India's energy security.

Energy cooperation between the two countries has been a recurrent issue of discussion. To ensure that India's power sector is free and competitive, the Electricity Act of India was passed. In the generation, transmission, distribution, and trading of electricity, 100 percent FDI is permitted. Russian firms can participate in the power sector in a variety of ways, including as project developers, equipment suppliers, or providers of technical consulting services.

3.5.10 Investment

Also, cooperation in the field of investment is also very critical for the development of economic ties between Russia and India. The fact that Russia and India have only a tiny amount of mutual investment shows that there is a lot of room for future cooperation. Considerable investment opportunities exist in Russia.

3.5.11 Space

India and Russia have a long and valuable history of cooperation in the Space sector. Russia was the first country who supported India in the development of the space sector by providing the finance as well as the expertise. Now, India's space achievement is recognised by the entire world countries. So, this sector holds great scope for the cooperation between the two.

3.5.12 Metallurgy and Mining

Opportunities for cooperation in the metallurgical and mining sectors are many in the emerging markets of both countries. Numerous studies have already been done in several areas, including the development of a mathematical model for straightening rail rollers and control of the blast furnace charge cooling process. Coking coal is in high demand in India, and Russia has a lot to offer in this market. Another area where Russian firms play a significant part not only in Indian markets but also in the global market is by providing a rich supply of ores in the production of titanium sponge and titanium dioxide.

So, from all the discussion above, it can be concluded that a lot of areas and scope are left between the two countries for expanding the trade and WTO can prove to be an organisation that can help both the countries in realising these potentials and reaching to new heights of trade gains.

From the figure given below, it shows India's export to Russia from 2010 to 2020.

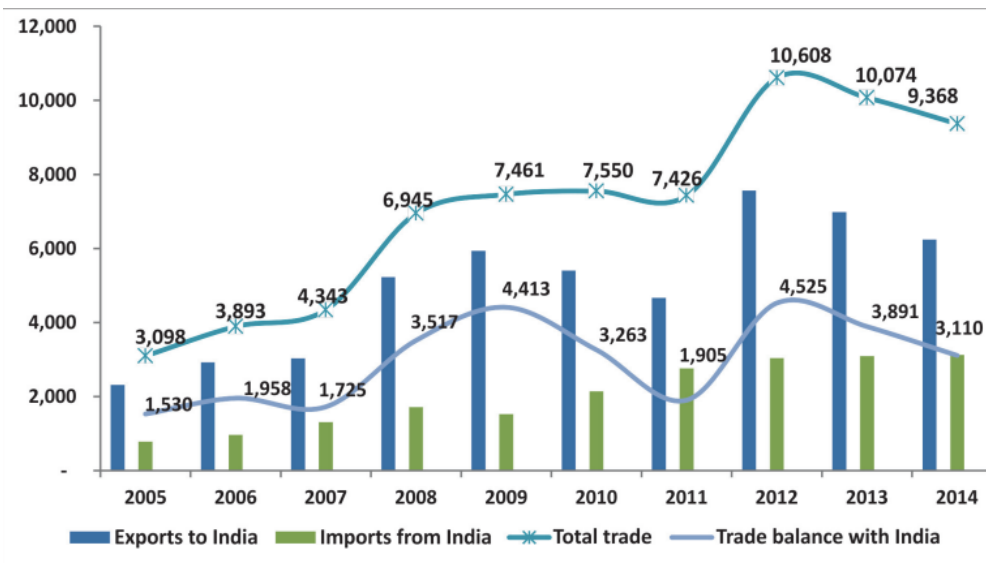
Figure 18: India's Export to Russia



Source: Tradingeconomics

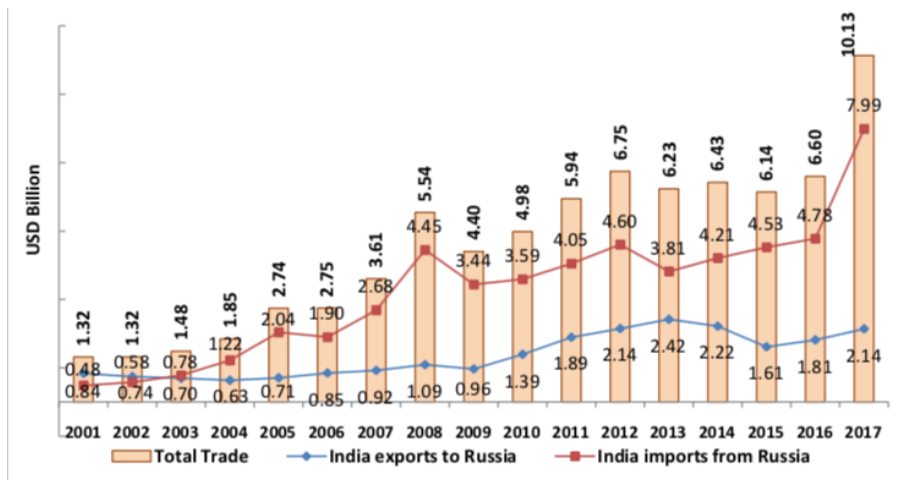
Next, both of the figures show the entire trade structure of Russia in relation to India. From the figures, it can be seen that imports from India continuously began to grow post-2011 and also Russia's exports to India.

Figure 19: Russia-India Trade (in \$ mn)



Source: ITC, Geneva

Figure 20: India-Russia Trade



Source: PHD Research Bureau

Hence, it can be concluded that WTO could in future can help both the nations in realising their trade potential and realising the target of \$50 billion by 2025.

Chapter-4

Shanghai Cooperation Organisation and the Future of Indo- Russia Relations

4.1 Origin of SCO

Shanghai Cooperation Organisation (SCO) owes its origin to its predecessor Shanghai Five which was created in April 1996 in Shanghai (China) city by all the members of SCO except Uzbekistan. It was created to deepen military trust between the nations by reducing military forces along the borders. In the starting phase, a term was introduced to represent the basic tenet of SCO on which it stands called the “Shanghai Spirit” representative of “mutual trust, mutual benefit, equality, consultation, respect for cultural diversity and pursuit of common development amongst the member nations.”

Subsequently, annual summits took place in different countries, and finally, in 2001, when the annual summit returned to Shanghai, all the members decided to admit Uzbekistan into the organisation and therefore transformed the organisation into Shanghai Six. Furthermore, after all the six states signed the *Declaration of SCO Charter* in June 2001, the organisation came to be known as the Shanghai Cooperation Organisation (SCO). In 2002, in another summit in Saint Petersburg (Russia), the *SCO Charter* was signed in which the objective, structure, and principle of the organisation were laid down. The organisation is headquartered in Beijing, China.

After Uzbekistan, two other nations, namely, India and Pakistan, joined the organisation formally at its annual summit in Astana (Kazakhstan) in 2017. After the inclusion of Pakistan and India in the organisation, SCO “has become the largest regional institution in the world, which covers 60 percent of the Eurasian continent and has a population of over 3.2 billion, with the GDP of its member states accounting for about a quarter of the global GDP.”

SCO is known as the Eurasian economic, political, and security organisation dedicated to maintaining security, stability, and peace in the region. In terms of geographical and population coverage, it is known as the Alliance of the East, and it is the world’s largest regional entity. The organisation covers about 50 percent of total world’s population. Sometimes it is also said that, as North Atlantic Treaty Organisation (NATO)¹ is for the

¹ NATO is a grouping of nations from the Europe and North American region created in 1949 with a goal to outweigh or defeat the Soviet armies present in Europe. In all, it was created as a military alliance. All the members of the organisation provides each other the defence against other countries. The organisation is headquartered in Brussels, Belgium. Currently, organisation has 30 member states that includes Denmark, Iceland, France, Belgium, Norway, Canada, Luxembourg, Norway, Netherland, United States of America, United Kingdom, Italy, Spain, Turkey, Estonia, Germany, Latvia, Greece, Lithuania, Poland, Albania, Hungary, Slovakia, Croatia, Czech Republic, Slovenia, Montenegro, Romania, Bulgaria, and North Macedonia.

North American region, SCO is for the Eurasian region², and SCO is created to offset NATO. The SCO is one of the potentially significant and influential regional organisations in the heart of Eurasia. It is believed by many scholars that in the Eurasian region, no other organisation assume responsibility for security in the region, as it is doing its best for the member nations.

Presently, SCO comprises eight member states, namely, Kazakhstan, Kyrgyzstan, Russia, China, Turkmenistan, Uzbekistan, India, and Pakistan. It also has four observer states that are Afghanistan, Iran, Mongolia, and Belarus; its dialogue partners include Armenia, Azerbaijan, Turkey, Nepal, Cambodia, and Sri Lanka; and guest attendances include Association of South-East Asian Nations (ASEAN³, United Nations (UN), Commonwealth of Independent States (CIS)⁴, and Turkmenistan. The inclusion of members outside the Central Asian region indicate that SCO is expanding its scope and is ready to emerge as an important international organisation in the global arena.

In the early phase, when SCO was formed, the West merely considered it as an “anti-USA forum” or “geo-political bluff”. But over time, by expanding its scope from security and political issues to other areas like economics, environment, etc., and also by expanding its coverage in terms of membership, SCO changed the notion. Now it is seen as a “Window of Opportunities” and as an organisation that unites two major powers, Russia and China, and also sets the stage for close cooperation in security and cultural fields in the region. Which is why both USA and Europe acknowledge its influence in the region.

² This is the region that includes two continents-Asia and Europe. It is considered as the largest continent. These two are considered together many times because the geographical boundaries between the two continents keeps on changing. The continent covers the area from Japan and groups of islands in the East to Iberian Peninsula (related to two European countries i.e. Spain and Portugal) in the West.

³ It is the Southeast Asian Nations Association economic union consisting of ten Southeast Asian Member States promoting intergovernmental cooperation and facilitating the integration. The goal is not only to include the member nations but also other Asian countries. The cooperation includes the sphere of the polity, economy, the military, education, security and socio-culture. The main purpose of ASEAN was to accelerate economic development with the aid of social and cultural growth amongst the nations. A second purpose, is built upon the “rule of law” as well as on the UN charter concept, “was to foster regional peace and stability”. The organisation also participates with other members of Asia-pacific region. The organisation was set up in 1967 by Bangkok Charter and is headquartered in Jakarta, Indonesia. Currently, its membership is extended to ten members that includes Philippines, Malaysia, Brunei, Indonesia, Singapore, Thailand, Cambodia, Laos, Myanmar and Vietnam.

⁴ It is a regional organisation which was created in 1991 after the disintegration of Soviet Union to cooperate on different spheres like social, economic, political, cultural, etc. It is headquartered in Minsk, Belarus. The members are Kazakhstan, Belarus, Ukraine, Kyrgyzstan, Armenia, Russia, Tajikistan, Azerbaijan and Uzbekistan.

The Shanghai Cooperation Organisation (SCO) has grown into a formal organisation by holding regular summits and meetings for Prime Ministers, ministers, and agency heads to discuss issues like foreign policy, law enforcement, defence, trade, and economy. In addition, since 2006, a yearly gathering of legislative heads has started taking place. There is a provision for at least three meetings between the members under three frameworks that include the National Coordinators of SCO, RATS⁵, and in the SCO Secretariat.

Since its inception, the SCO has made significant progress by holding yearly summits and ministerial meetings as well as through regular high-level contacts. Two secretariats that will perform the executive functions and are permanent in nature have been established for the coordination of the activities of SCO. It also deals with increasing the cooperation amongst the members in relation to the anti-terrorism activities. Also, new business and energy-related mechanisms and concepts have been introduced and put into action.

Figure 21: SCO Members



Source: Wikipedia

⁵ “Regional Anti-Terrorist Structure (RATS)” is the structure of SCO that deals with the tackling of terrorism, extremism, and separatism. It is headquartered in Tashkent, Uzbekistan.

4.1.1 Structure of SCO

The organisational structure of the Shanghai Cooperation Organisation (SCO) comprises of the following organs:

1-Council of the Heads of the State: It is the topmost and highest body of SCO that deals with the decision-making of the organisation. It takes decisions related to the functioning of the organisation and how SCO is going to interact with other countries and international organisations. The council also takes a decision on the emerging international issues. It meets once every year and take the important decisions concerning the organisation.

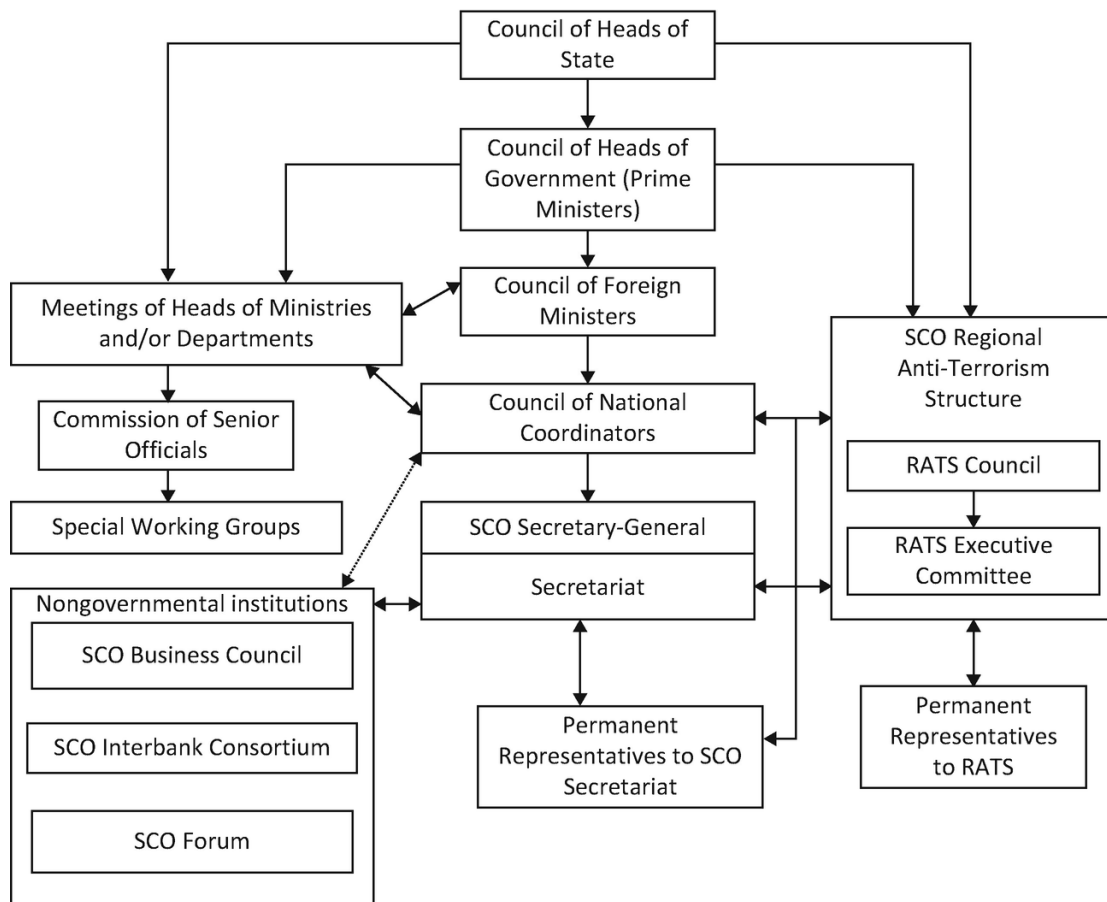
2-Council of the Heads of Government: This is also the body that deals with the decision-making of the organisation like the State Council, but it primarily focuses on the economic sphere.

3-Council of Ministers of Foreign Affairs: This body of the Organisation deals with the issues that arise on a daily basis amongst the members of the organisation or issues emerging in the world that are related to the objectives of the organisation and impact the members or humanity.

4- “Regional Anti-Terrorist Structure (RATS)”: This is the structure of SCO that deals with the tackling of terrorism, extremism, and separatism. It is headquartered in Tashkent, Uzbekistan.

5-SCO Secretariat: Secretariat of SCO is located in Beijing, the capital of China, and it assists in providing analytical, informational, and organisational support to the member states.

Figure 22: Structure of Shanghai Cooperation Organisation



Source: Progress of SCO, Springer

4.1.2 Objectives of SCO

1. It seeks to reinforce the shared trust and neighbourliness among the member states.
2. It seeks to encourage efficient political, trade and economic, technological, research and development, and cultural cooperation amongst the members.
3. One of the crucial objectives of SCO is to improve relations between the members in the fields of education, electricity, transport, tourism, environment, etc.
4. It guarantees to preserve and conserve member countries cooperation in the area of unity, safety, and stability.
5. The organisation works to build a new economic and political order based on democracy, rationality, and fairness.

4.2 India and SCO

India took a long road to enter SCO. India has been an observer member of the organisation since 2005 and acquired full membership in 2017. India applied for full membership of the organisation in 2014, and both Russia and Central Asian countries extended their full support to India for full membership of the organisation. Even the Russian ambassador Alexander M. Kadakin in 2010 said that, “We have always been in favour of India as a full member of SCO”. Also, the Russian members restated their full support for the entry of India as a full member at the Astana Summit that happened during the SCO conference in Almaty in February 2011. Russia was always of the view that India’s inclusion in the organisation would change the dynamics of the forum. So, Russia was a key player in backing the full membership of India in the organisation.

SCO is seen by India as a multilateral forum in Asia rather than as an armed bloc or an anti-western organisation. The SCO deemed as a valuable organisation and a platform to discuss economic and security issues for the countries in the region. It is relevant as it allows for debate and settlement of safety and counter-terrorism concerns from the Indian perspective. It also offers India an alternative regional platform to debate and discuss the security situation that is changing rapidly in Afghanistan. Also, the “Connect Central Asia policy”⁶ of India, which is centred on proactive commitment with the Central Asian countries for economic and people-to-people ties, will get a boost.

Both SCO and India drew benefit from each other. So, the benefits which SCO could derive from India can be grouped under the following categories-

1. Health care and pharma: The specialised skills in the pharmaceutical, hospitality sector, and healthcare are one of India’s biggest strengths. The Eurasian Region has a lot to

⁶ India shares long historical ties with the five Central Asian Countries and India considered the region as its “extended neighbourhood”. But after India’s partition, it lost direct access to Central Asia because of Afghanistan, resulting in a deterioration of relations with the region. As a result of the Indo-Soviet peace agreement, India again established closer relations with the region after 1971.

To maintain regional stability, India has increasingly relied on Central Asia. Increasingly, India is looking to expand its energy supply by importing energy from Central Asia. The ‘Look North’ policy was used as a framework for Indian foreign policy in Central Asia. Indian economic slowdown and Central Asian power competition have hampered India from taking a more prominent position in the region in the 1990s. More recently, the region has been the scene of fierce power struggles between countries in the region’s energy sector. With India’s evolution as a major economic powerhouse and a regional player, Central Asia’s relations with India must be prioritised as well.

It was in this context that the Indian government formulated its Connect Central Asia Policy in 2012. The policy’s key elements include economic cooperation, political cooperation, cooperation in the educational field, strategic cooperation, cooperation in Information technology and communication, regional connectivity, enhancing people-to-people ties, cooperation in the medical field, etc.

offer in this regard, including economic prices for medicines, owing to competitive drug firms. Medical tours and telemedicine⁷ may also be other areas of cooperation. India has emerged as an attractive health tourism destination for the countries in the region.

2. **Bio-Fuels and Green technology:** India is aggressively investing in green technology, especially in solar, wind, and bioenergy. It can be seen that India was one of the founding members of the International Solar Alliance (ISA)⁸ which is headquartered in Gurugram, Haryana. India can help and share its experience, in embracing renewable and clean energy, with the regional countries. These efforts can pick up pace because environmental problems are a severe source of worry for the region as a whole.
3. **Education:** India has one of the best educational curriculum and training modules that SCO member states can take benefit from by engaging in talks with India. The region can also take benefit from India's best business schools, financial institutions, and technology institutes. India can also become an example for the Eurasian region for its successful tele-medicine and tele-education programmes as India helped many African countries with the same.
4. **Culture:** India shares historical and civilisation connections with the Eurasian countries, and therefore, culture can play a significant part in its contribution to the organisation. In order to set up confidence-building measures, old regional linkages can be reestablished. Cultural exchange programmes like film festivals, heritage exhibitions, etc., can be promoted that enhances people-to-people ties. Already, Indian dance, music, art, and films are quite popular in the Central Asian region. The suggestion by India that SCO's "Shared Buddhist Heritage" exhibition should be held in 2019 was a smart step in the direction. So, India by providing valuable suggestions

⁷ When there is a distance between the participants of the health care system, internet is used to deliver the health service.

⁸ It is a treaty-based inter-governmental organisation and the goal of the ISA is to create a global market system for solar power and promote the use of clean energy. The International Solar Alliance (ISA) is a multi-stakeholder ecosystem that brings together sovereign nations, multilateral organisations, industry, policymakers, and innovators to promote the shared and common goal of meeting the energy needs of a secure and sustainable world.

The Paris Declaration, which established the International Solar Alliance, affirmed that the countries which are part of ISA pursue same objective in mind. One of the main objectives is the cost reduction in technology deployment and all the financial cost that accrues when solar power products are manufactured and installed. Over USD 1000 billion will be raised by the ISA for future solar generation, storage, and technologies in support of member countries needs by 2030. When the ISA's goals are met, the climate action in member countries will be strengthened, and this will help them meet their commitments expressed in their NDCs.

can be a strong link in fostering cultural development, which is also one of the objectives of the organisation. Also, SCO member countries can learn a lot from India's huge cultural heritage.

5. **Energy and Infrastructure:** SCO and India share similar objectives in the development of different modes of transport networks to increase connectivity of the Central Asian countries markets with European, South Asian, and South East Asian markets. This would lead to an increase in inter-regional and intra-regional trade and would also boost the flow of investment. Therefore, the necessity to create pan-Asian collaboration should be the focal point. Through initiatives like the "International North-South Transport Corridor (INSTC)"⁹, India is already on the path to work towards improving its connections to the region. The current administration has lately stated its idea of a unified connection between the countries of South Asia. In this sense, there is a need for cooperation between SAARC¹⁰ and SCO to increase connectivity and establish energy pipelines. In the meantime, Indian businesses have established significant experience in the construction of refineries. In order to strengthen relationships in the regional context, Indian petroleum and infrastructure businesses are also partnering with the Russia, CARs, Mongolia, China, Iran, and other member states. In order to bring local producers and customers together, SCO is also debating on the formation of an "Energy Club" which might hold strategic significance for India's energy deficiency. Therefore, India is keen on working in this field and is actively working also. SCO countries are resource rich and need markets and India has a huge potential.
6. **Disaster management:** Because of the many natural and human-made disasters that India has seen, it has evolved solid techniques for disaster management spanning a

⁹ "International North-South Transport Corridor (INSTC)" is an ambitious 7200 kilometre(km) long project to develop the transport connectivity via various modes of transports that includes road, rail and sea. It was ratified in 2002 by Iran, Russia and India after being launched in September 2000. Its primary aim is to connect Caspian Sea and Indian Ocean and increase the connectivity to the Eurasian region. INSTC was launched in St. Petersburg, Russia. The route provides the shortest connectivity to the region which is the main objective as conceived by the corridor.

¹⁰ After the signing of the SAARC Charter in Dhaka on December 8 in 1985, the "South Asian Association for Regional Cooperation (SAARC)" was officially established. It has eight members and nine observers. Nepal, Bhutan, Pakistan, India, Afghanistan, Bangladesh, Maldives and Sri Lanka are all members of the SAARC. On the 17th of January, 1987, the Association's secretariat was established in Kathmandu. SAARC Charter states that its main goals are "to promote the welfare of South Asians and improve their quality of life; to accelerate economic growth, social progress, and cultural development in the region; to encourage and deepen collective self-reliance among the members; and to contribute to mutual trust, understanding, and cooperation".

Unanimity is required at all levels of the Association, and bilateral or contentious issues are not allowed to be discussed.

broad range of worst-case situations. These are further enhanced by Indian space system having advances satellite mapping and weather forecasting system that serves to avert and alleviate catastrophes. SCO members who in the past had to face serious environmental difficulties can benefit from India's capacities. Also, India actively participates in international arenas concerning this subject as Indian geography makes it prone to all kinds of disasters, and India wants to avoid them at any cost. So, organisation can benefit from India's acquired knowledge of the subject.

Now, the benefits that India can derive from being a permanent member of SCO are-

In the global arena and particularly in the Eurasian region, SCO's significance and role are continuously increasing. It is stated by many research analysts and scholars that the organisation is going to become the most important and crucial forum representing the region. Hence, higher officials were of the opinion that by joining the organisation, in the longer run, India could reap huge benefits instead of staying out of it. Therefore, India firmly put forward its position to join the organisation and joined it finally as a full member in 2017.

4.2.1 Increased influence in Central Asian region

For a more extended period of time, India's foreign policy did not give much attention to the Central Asia region that it deserved. Therefore, in global politics with regard to the region, India was seen as a "fence sitter" and "mute spectator" for a long period of time. It was concluded that if India wants to play a proactive role in world politics and wants to expand its involvement in global as well as regional events, then it cannot remain isolated from the development in its immediate neighbourhood. In the present scenario, the Indian economy is one of the fastest growing economies in the world and is also at the forefront of technological and scientific advancement. Furthermore, it is expected that this advancement in the Indian economy will positively affect the Eurasian region as whole. Therefore, India's participation in the organisation can be beneficial to all the parties concerned.

China, through its "Belt and Road Initiative" and with the huge financial resources, maintained considerable dominance in the region. For India, the absence of the appropriate connectivity channels with CARs is the key limitation in improving the relations between the two. India's absence is not felt by the region as the gap was always filled by the strong Chinese presence in the region. As a result, it became crucial for the Indian policymakers

to devise innovative solutions that will help India to enhance and increase its footprint in the region as well as in its market.

In this regard, a lot of suggestions have been advanced for India to increase its influence in the region. Some of the areas where India can expand its influence are-

1. Firstly, India is witnessing one of the fastest growing start-up cultures in the world. Therefore, to establish new linkages in the region and to lead in this sector particularly, it is important that adequate encouragement should be provided to the start-ups to expand their reach. As per India's leading think-tank, Niti Aayog, "India is now the third-largest tech start-up globally, with 38,756 officially recognised start-ups". Towards this end, India is also working in SCO and has proposed to establish a dedicated "innovation and start-ups working group".
2. Secondly, the region is showing immense interest in traditional medicines. As a known fact, India is the birthplace of Ayurveda and is a market leader in traditional medicines. Therefore, India is very keen to collaborate in this field with the interested parties. Government support in this regard can provide a boost to the well established Indian companies for expansion.
3. India is the second most populous country in the world, only after China. Also, it has one of the largest working-age population. It has been regularly suggested that government needs to create adequate employment opportunities for the youth so that India can take the maximum advantage of this demographic dividend and expand its economy to the fullest. MSME ("Micro, Small and Medium Enterprises") is one of the most promising sectors in this regard, which can create substantial employment opportunities needed. As a result, the Indian government is highly focused on the sector and bringing in all the policies required to develop and advance the sector. This can become another area for collaboration. And therefore, both can collaborate in the MSME sector and also in other potential sectors that includes energy, pharmaceuticals, ICT, agriculture, and education.
4. Tourism is another critical sector that should be accorded priority. India being the birthplace of some of the major religions in the world with a rich cultural heritage and ancient civilisation links with regional countries can take advantage of the tourism potential of its religious destination, particularly those associated with Buddhism. India is working on promoting this linkage by organising an exhibition. Heads of the states

of SCO have lauded India's step of organising "India's joint digital exhibition on Shared Buddhist Heritage".

5. All the member nations of the organisations are the forerunner in the field of investment and trade. If India wants to become a \$5 trillion economy, then this area should be accorded the most crucial consideration. So, it is suggested that the working group of SCO Business Council should hold a series of interactive sessions and dialogues on investment and trade potential as it is very essential to promote this sector.
6. Finally, the dominance of Chinese and Russian languages in the administrative working of SCO should be checked. Secretariat is exclusively reliant on these two languages for its day-to-day administrative work. Now, as Pakistan and India have been accorded the status of full membership by the organisation, then SCO should adopt a new language for the working i.e., English. This will guarantee that documentation will be readily available and communication between the members will be easy. This will help India with the policy making.

In addition to these suggestions, India Inc., an Indian entity, intends to connect the region's history through some targeted actions. It wants to connect the past of India and Central Asia with their future as well as with the present. The medieval history of Central Asia and India are intertwined with each other. So, with this in mind, it wants the medieval history of both the region to merge with the twenty-first century to bring prosperity to both the regions as this will inform all about the closeness of both regions is not new but has its roots in history.

Political attention from a new country toward Central Asian countries is the biggest issue of China. Central Asian region is wedged between Russia and China. With Russia, the region shares a long history, culture, and language. But post the disintegration of the USSR, relation between the CAR countries and Russia weakened, the new born states needed economic support and got drawn toward China, which had started to prove its weight in the world economy. But over the years, the increasing dependence on China has become a cause of some concern in these nations since countries tend to be wary of Chinese intentions, a country that now seems to be striving for hegemony, particularly in the Asian landmass. Amidst this scenario, India can provide an alternative source of support to such countries seeking to wean themselves off Chinese assistance. India has received recognition of its conscientious foreign policy that does not seek to beggar a nation while offering its

assistance unlike China which has, according to some foreign policy analysts, ensnared countries in burdens of foreign debt by exploiting economically vulnerable nations like Sri Lanka.

4.2.2 Relations with Pakistan

Another important area where India will benefit immensely is in the improvement of its relations with Pakistan. SCO will provide an additional platform where officials or leaders of both nations can interact with each other. Both the countries need a stage away from the global spotlight of the UNGA annual meeting where they can discuss the long-standing issues of concern. Meetings of the higher officials from all the member nations of the SCO happen regularly, which implies that because of some uncertain circumstances even when leaders of both the nations want to refrain from formal diplomatic interactions, the officials are bound to encounter each other at these routine meetings of the SCO, thereby keeping avenues open for communications. This might work as an ice-breaker for further bilateral negotiations. SCO can provide a neutral platform that both the nations require in times of conflict.

4.2.3 China factor

Another area where the organisation will bring benefits to India is its relationship with China. It will help and assist in pulling both the countries closer to each other. SCO is the only organisation outside the UN, where China is one of the founding members. Even though China stood against the proposal for India's full membership of the organisation, pragmatism dictates that we make use of the opportunity for better engagement. China saw India as a threat in its growing relations with Central Asia. Therefore, in one of the visits of PM Modi to the five Central Asian countries, he clarified about India's growing interest in the region and mentioned that links with Central Asia are one of the important prospects that remained untapped for India, and India is looking with eagerness in this direction now. So, India is not interested in influencing the policies of the region but only interested in taking the benefit of the untapped areas of the region. China on its part can study India's strategy so that it does not lose its foothold in Central Asia, and this will help both the countries in improving their relations towards each other.

SCO can also become the platform where both the nations can discuss issues during hard times and can cooperate toward eliminating the three evils.

4.2.4 Fight against Terrorism

RATS which is “Regional Anti-terrorism Structure” is a permanent body that has the mandate to assist the member nations in their interaction and coordination in the fight against extremism, terrorism, and separatism. Participation in RATS offers another benefit to India since it might supplement its intelligence network. Also, India has a long experience in dealing with terror-related issues given its internal security scenario and cross border threats emanating from a belligerent neighbour. While, the US withdrawal from Afghanistan and its takeover by the Taliban could possibly spring unwanted surprises, from a security perspective, for India. Thus, India can reap benefit from the intelligence networks of the members and RATS and can offer counter-terror strategies, accumulated over a long period of time, to the other members.

4.2.5 Increase in Business Practices

Trade exchange between India and the Central Asian region is far from the desired level. Growth of business relations has been stymied by the lack of cost effective and reliable transport connectivity. Here, Pakistan and Afghanistan have posed a physical barrier for India to carry out trade with CAR countries. Terrorism issue in Afghanistan and cold relations with Pakistan further accentuate the problem. This hampers the ties between India and CAR, and India attempted to circumvent the problem by establishing a port in Iran called Chahbahar port, in order to establish an alternate route for India to bypass these two nations and establish strong trading ties with Central Asia.

Also, the region is very underdeveloped, so Indian companies can use this opportunity and enter the region and can help these countries in their development process. But all this requires formal backing, the same as what Chinese leaders provided. China was mindful of the fact that the region requires all the support that can be extended, this is evidenced by frequent visits made by their leaders to the region. India’s membership in SCO can provide the impetus to Indian companies as Indian leaders will turn their focus toward the region. But still, New Delhi needs to make deliberate efforts to effectively reap the benefits of the opportunities offered by the region. India’s membership in the SCO will undoubtedly bring a significant shift in the geopolitics of the region. But if India seeks to establish long term mutually beneficial partnerships, then it requires to analyse the specific concerns and aspirations of the region and make efforts to meet them.

4.2.6 Energy Source

From the point of view of India, the most important of all the benefits is the access to the energy resources and minerals of Central Asian countries and Russia. India in spite of its diverse topography and geological spread, lacks in feasible sources of exploitable oil reserves. Efforts are underway to diminish our dependence on conventional sources of energy and work around this obstacle, to cater to the energy demands of a burgeoning population, but for the time being India remains as one amongst the top in the list of energy consumers. Whereas CAR countries and Russia tops the list of hydrocarbon producers. Given the changing scenarios and increasing uncertainties in the middle east, which has been the primary source of India's oil requirements, India needs other options from where it can import hydrocarbons. So, the membership will benefit India by providing access to the market of CAR and Russia for the import of hydrocarbons and fulfilling its energy needs.

In summary, it can be said that in order to lead the charge to build new economic linkages, start-up enterprises in the CAR and other regional countries should be promoted. At this end, India at the SCO has proposed the establishment of a dedicated Innovation and start-up workgroup. Secondly, the region has a significant interest in traditional medicine. As a pioneer in this industry, India is willing to work with stakeholders. The third is to stimulate collaboration in the agricultural, energy, educational, pharmaceutical, and Information and Communication Technology (ICT), and micro, small and medium-sized firms. Fourthly, the importance of tourism must be acknowledged to enhance the ties.

Finally, in brief, the benefits that justify India's participation of SCO include-firstly, the SCO's membership will give greater exposure to India in the Eurasian issues, which for India is very important from the viewpoint of strategic discourse. Russia and China being the major powers in the organisation dominate the CAR countries. Here, India will balance out these powers and bring ease to these countries. Secondly, SCO, since the early years of its establishment, was focussed on the security concerns of the region and its efforts were largely directed towards this end. Against this backdrop, India, after becoming an integral member of the organisation, can use the forum to neutralise the disruptive factors that arise from terrorism and religious extremism. In the years after 2014, a lot has changed in neighbouring Afghanistan. So, the membership will assist India in dealing with the negative consequences of Talibanised Afghanistan. Thirdly, SCO will offer a platform to India to engage with Pakistan and China and improve its relations with these two countries. On the

sidelines of the summits, leaders can deliberate and find alternative solutions to the issues which remain unsolved between them. Finally, the most crucial benefit is that SCO will allow cooperation in the three most critical areas-enhancing trade ties, energy deals, and transportation connectivity. To reiterate, SCO will help India to deal with the traditional and non-traditional threats to security and provide an opportunity to enlarge its influence in the Central Asian Region in economic and political terms. Even though SCO has as its members the two countries that have been India's rivals since independence, India still stands to benefit greatly from its participation because SCO remains the only forum where it can closely work with the countries of the Central Asian region.

4.3 SCO and Russia

USSR got disintegrated in 1991, and 15 different nations declared their independence. Russia took over USSR's seat in all the international forums. Post-USSR collapse, Russia faced a number of external as well as internal challenges. The social, economic and political landscape saw a drastic transformation. In effect, Russia, on the global arena was going through an identity crisis. So, it became very important for the government in Russia to determine its identity in order to develop the direction in which not only the domestic policy but also the foreign policy should move. In the early years, Russia followed the pro-western trend. Reform took in both economic as well as in the foreign policy front, wherein all parties demonstrated the westernised inclination. But in 1996, the reform process took a U-turn when Yevgeny Primakov, who was a former KGB head, became the foreign affairs minister of Russia. Following this, Moscow formally abandoned its pro-western stance, and after this, its foreign policy began to focus in the eastern direction.

On this line, the foundation of the Shanghai five group was laid down in April 1996. Shanghai five was the predecessor of the SCO. It was founded by five countries-Kazakhstan, Russia, China, Tajikistan, and Kyrgyzstan. It was considered one of the most important outcomes of the "Look East Foreign Policy" of Primakov.

In 2000, when Putin got elected and assumed office, he further accelerated the foreign policy's tilt toward the East. This acceleration raised the prospects of Shanghai five's transformation into SCO in 2001 after Uzbekistan joined the organisation. For Russia, SCO serves to achieve two main objectives-

1. It wanted to reestablish traditional dominance in the region. Historically, Russia has considered the region as its backyard.

2. SCO became that instrument for Russia with which it could resist any attempt made by the US to become a hegemon and create a unipolar world.

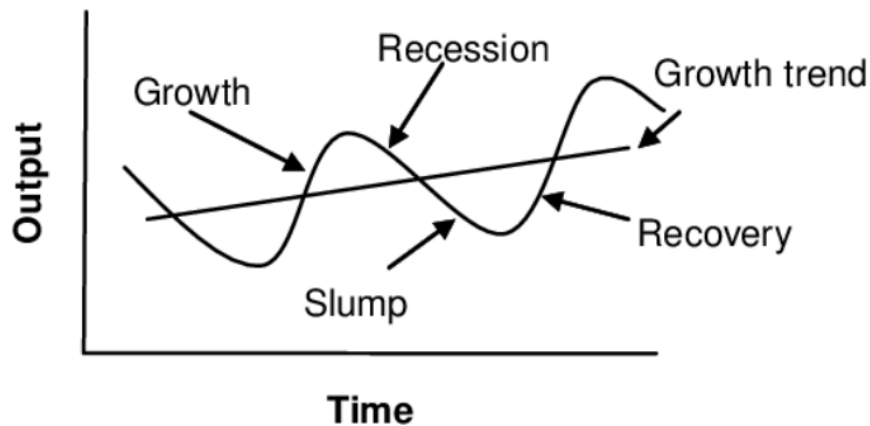
But the officials in Russia realised that before regaining global prominence or regional power, it is very crucial for Russia to first ensure its geographical integrity and national unity. The realisation was the result of the fact that the economic and political system was newly reformed and needed to get stabilised first to prevent it from crumbling.

In many regions of Russia, especially in the border areas, different ethnic population resides, and this population migrated from the nearby Central Asian Countries. Over time, a strong urge for separatism emerged in Russia from the people of these different ethnic groups. This posed a threat to its national security. Furthermore, a lot of non-traditional as well as traditional security threats, exist in Central Asia like drug trafficking, arms trafficking, etc. Russia realised that these threats were so prevalent that they could not be tackled alone. So, this became another push factor for the formation of the Shanghai five, followed by SCO. The main aim of SCO from the very beginning was to tackle the three evils, viz. terrorism, extremism, and separatism.

In 2000, SCO's summit took place in July, and this was the first summit that Putin attended after becoming Russia's President. Leaders of all the member nations at the summit proclaimed that the goal of the organisation was to "wield significant influence not just in the region, but globally as well". After the admission of Uzbekistan in 2001 as its sixth full-time member, SCO's influence in the global arena started to increase, an outcome Russia always desired. By holding timely anti-terrorism military drills, its influence in the area of security has substantially improved. It includes the strategy of "partnership for peace" or raising the voice against the evils of terrorism, extremism, and separatism on the global platform.

Following the dissolution of the Soviet Union, the Russian economy entered a phase of the economic downturn, which further got exaggerated by the 1998 financial crisis, also known as the Rouble crisis. The crisis forced the Russian Central bank to devalue the Rouble and default on its debt. The crisis forced the Russian administration to develop new economic possibilities for Russia to come out of the crisis. Revenues earned from hydrocarbons i.e., gas and oil, proved to be very critical for rescuing the economy from entering into the phase of the economic slump of the business cycle, i.e. moving from the recession phase to the depression phase.

Figure 23: Business cycle



Source: Wikipedia

Traditionally, EU is Russia's loyal market for hydrocarbons exports. Because of this, the West has been concerned for a long that Russia is exerting pressure on the EU by using the supply of hydrocarbon as political leverage. The West does not want the EU to remain Russia's traditional export hydrocarbon market. It gave rise to unpredictability between Russia and the EU, which drove Russia to seek new markets. SCO provided that viable option to Russia in the form of China and India, which are amongst the largest energy consumers in the world. Towards this end, Russia has proposed the formation of "energy club" under the framework of SCO.

Russia also authorised "the Concept of long-term socio-economic development of the Russian Federation in Central Asia upto 2020 and the Concept of protection of national interests of Russia in Central Asia" to safeguard and ensure its long-term energy programs in order to avoid unpredictability. It is a boon for Russia that SCO's two new members i.e., Pakistan and India experience a lot of energy shortages which might prove extremely helpful for Russia to increase its exports of hydrocarbons to these two countries.

The growth of SCO to become an influential global forum and expansion in its membership are consistently stated goals of Russia's President Putin. He stated "although the SCO started off as a low-profile group, with a primary goal of solving border issues between China, Russia, and the former Soviet Union members, it has evolved into one of the world's most powerful organisations". However, Russia also has some other objectives that it wants to achieve through SCO, apart from the above-stated goals. The other objectives of Moscow include-

1. to utilise the organisation to oppose the process of democratisation that is emerging both within and outside its borders.
2. Central Asia, which Russia considers its backyard, historically as well as in general, always remained very close. Russia does not want the US or any other western country to exert its influence on the region. Therefore, it wants to limit all these powers influence on the region.
3. Advance the objectives of the foreign policy of Russia in general.

Until the 2007 SCO Summit that took place in Bishkek, Putin had all the reasons to be delighted with SCO as everything was going as per Moscow's wish. Despite some issues of divergent opinion, and different goals of the members, SCO proved to be one most effective instrument for furthering Moscow's interest. But a lot has changed after the SCO's Dushanbe summit that took place in 2008. Moscow suffered setbacks during the Dushanbe summit when all the members refused to support Moscow's action in Georgia. The members refuse to recognise Russia's acceptance of independence of South Ossetian and Abkhaz. However, it is believed that Russia's membership in SCO and its relations with SCO will continue to play an important role in furthering its foreign policy objectives.

It is important to note that Moscow, despite being a founding member, has certain misgivings about the Shanghai Cooperation Organisation (SCO). Other than using the SCO as the international forum to restrict Chinese dominance in the Central Asian region as well as in SCO, it is believed that Moscow is not very keen on developing the economic functions of the organisation due to the relative economic power of China. Indeed, Moscow aggressively promotes the EAEC while aiming to limit the function of the CSTO and SCO, which are the region's three most important regional organisations. Russian officials believed that NATO expansion and so-called 'coloured revolutions' in Russia's neighbourhood are a threat to Russia's strategic interests, but they also regard the organisation as a counterforce. Moscow, on the other hand, desires to boost the military capacities of SCO. They also have a common desire to promote multipolarity in the world and maintain regional stability.

Both China and Russia in order to maintain the security architecture of region, are using SCO in order to safeguard their interest. Both nations face a lot of security threats, especially in their border region, which affect not only peace and prosperity but also their economic growth. Secondly, both want to exert their control and influence in the CAR and

wish to secure the region's abundant energy resources. Finally, they also want to eliminate or minimise the influence of western countries in the region.

4.4 China as a Factor in the Development of SCO

China's rise as a significant regional power and its increasing global influence has received a lot of attention from political analysts. While there has been some discussion on the potential consequences of China's development and how it would affect the international system, for the most part, debates and discussions have centred on how China would use its expanding influence to further its national objectives. According to many experts, China's ascent has already had an impact on both global and regional developments. It is more difficult to predict China's long-term plans and behaviour, as its power grows and many people are wonder if China will disrupt the present international order or whether it is going to adhere to the already established conventions, principles, and norms that govern how countries interact with one another in political, security, and economic domains through multilateralism. Another question that emerged is whether China would accept its role as a responsible power in today's multipolar world and whether it has the ability to assume a more active and stronger role as a leader in today's global as well as regional affairs.

Recently, China's stance with regard to the multilateralism and also towards the institutions that promote multilateralism, particularly in the context of regional security, has changed significantly. In the early 1990s, Beijing had a skewed view of Asia's multilateral institutions, which particularly dealt with security and were newly emerging at the time, like "ASEAN Regional Forum (ARF)¹¹". China viewed its membership in these institutions as tentative and was also not very keen in joining. Also, for China at that time, participation in these organisations was conditional. Whereas, its stance changed over the period of time as regards the challenges and issues related to security. Now, its stance is more confident, and it is completely involved in the issues of the organisation and participates wholeheartedly. China's so-called "new security concept" has evolved over the last 15 years, with the country now actively promoting such structures as alternatives to military alliances, in addition to sponsoring international security forums. Chinese efforts to lead the

¹¹ The forum was established in 1994 particularly for Indo-pacific region to provide all the countries in the region a platform to put forward their dialogues on the security aspect. The member can discuss all the current issues pertaining to area of security and peace in the region. All the decisions in the forum are based on the consensus amongst the members. The forum uses both first track and second track diplomacy.

establishment, fostering, and promotion of regional politico-security structures such as the SCO have been prominent in the last decade. It was observed that all these developments were taking place at the time when China's military, economic, and political prowess was on the rise.

China pushed for the establishment of SCO, in the beginning, to counter the “three evils”—terrorism, separation based on ethnicity, and religious extremism, while ensuring regional cooperation at the same time. But since then, as it claims, Beijing has promoted growth and institutionalisation of the organisation in a bid to facilitate and strengthen economic integration of the regional countries, increase the gains and ensure access to energy resources. As a multilateral organisation, the Cooperation SCO offers China an opportunity to exert its leadership in an area of increasing geopolitical and geoeconomic importance. With Russia's historical links and unparalleled power in the region, Beijing strives to maintain its linkages with Russia within the boundaries and scope of SCO while also strengthening its ties with the Central Asian economies.

As soon as the Soviet Union broke up in 1991, Beijing's approach was focused on establishing regular and friendly relations with the five Central Asian republics and resolving geographical and border disputes with Tajikistan, Kyrgyzstan, and Kazakhstan. It also tried to expand its economic linkages with the five countries, and secure their cooperation to avert the rise of Islamic fundamentalism. When these Central Asian republics secured freedom from Soviet rule in December 1991, Beijing promptly recognised them. Political, security, and economic relations between Beijing and these countries have become stronger during the last two decades. Between 1991 and 1997, the policy agenda of Beijing was dominated by regular diplomatic ties as well as the establishment of stable relationships, whereas in the later times, border security and the resolution of boundary became the prime agenda. Former premier of China, Li Peng, when he visited Central Asia in 1994, proposed a set of principles that are going to direct the relationship between Central Asia and China. These principles are:

- (1) Good relations with neighbours and coexisting peacefully;
- (2) Promoting cooperation between the member states that will be mutually beneficial for all;
- (3) no intervention in other's domestic affairs; and
- (4) respect each other's sovereignty and independence.

Beijing has gained the recognition, from the Central Asian states, of the ‘One China’ policy¹² and their promise not to intervene in Beijing’s domestic affairs.

Aside from their historical ties, China and Kazakhstan, Kyrgyzstan, and Tajikistan share a 3,300 km length of common borders. Sino–Soviet/Russian boundary issues were largely settled by the late 1990s through the early Sino–Soviet/Russian border discussion processes. China and Central Asia share interests in non-traditional security issues as well. Ethnic conflict, illegal migration, drug trafficking, terrorism, illegal arms dealing, and other transnational crimes are all on the rise in countries around the world. Security cooperation is urgently needed to protect borders, allowing conditions that will enhance the region’s prosperity and also lead to socio-economic development along with the establishment of stability of the region. In addition to the Middle east and Africa, Beijing sees Central Asia as one of the primary future energy sources aside from the Middle East and Africa, a developing area of great power conflict. Beijing’s long-term goal is not merely to strengthen connections with the region, but also to expand its influence and perhaps even establish its domination in Central Asia’s “new Great Game¹³”, according to Western commentators.

After the Soviet Union fell apart, Beijing’s policy priorities shifted to dealing with ethnic separatism. Xinjiang’s Muslim Uyghur separatists found new impetus in the late 1980s as ethnic separatism in the XUAR reemerged as a growing danger to China’s territorial integrity. The ethnic diversity of the province and its proximity to Central Asia have made it difficult for the central government of China to pursue a policy that promotes regional autonomy while also promoting national unity. Uyghur ethnic groups in Xinjiang are particularly vulnerable to the spread of terrorist activities in Central Asia, which Beijing is concerned about. The forces that are advocating for Xinjiang’s independence and separation, Islamic extremism influence, and unfair economic reapportionment inside the sovereign and independent region have been cited as the causes of these separatist-cum-terrorism operations.

China’s response to terrorist and separatist groups emphasises resolution, suppression, and the application of brute force. However, its stance is more moderate towards Islamic

¹² It is position of China that there is only one sovereign state and that is People Republic of China and opposed the idea of two states-China and Taiwan.

¹³ Great game is a conflict between Russian empire and British empire in 19th and early 20th century for Afghanistan, Central and South Asia.

countries. In order to prevent terrorist organisations operating in the Islamic nations, which provide support to separatist groups operational on the Chinese border, China often seeks cooperation from those countries. Chinese authorities have also used pressure on Central Asian nations to shut down Uyghur political groups and periodicals that advocate for independence from China. Beijing shows its full support for anti-terrorism measures around the world. Although it has ratified the United Nations “International Convention for the Suppression of Terrorist Bombings” and signed the UN’s “International Convention for the Suppression of Terrorist Financing”, the establishment of Shanghai Cooperation Organisation has been China’s most important vehicle for enlisting both Russia’s central governments as well as Central Asia’s government in their fight against the three evils.

From Beijing’s perspective, the vast amount of energy resources that the region has access to, such as natural gas and oil, may be the most viable opportunity for extending and cementing Sino-Central Asian relations. As China’s energy needs and import dependency grow to keep up with its rapid economic expansion, this prospective source of energy is certainly of interest to China. Concerns about the country’s overall energy security play a large role in that decision. Current energy imports from the Middle East and Gulf originate primarily in China. Supply diversification could assist in reducing the country’s vulnerability by providing an alternative supply source. Over the past decade, Beijing has been actively involved in energy diplomacy.

To summarise, towards the Central Asian Countries, China follows a strategy of enhancing development and promoting peace guided by its foreign policy. Furthermore, this strategy comprises of several critical factors. One of its primary goals is the promotion of peaceful coexistence rather than a “new great game¹⁴” or zone of influence. Rather than being a military alliance, Beijing sees the SCO as an organisation for regional political and economic cooperation. The ‘Shanghai Spirit’, according to China, should lead the SCO’s development and promote equality within the organisation.

At the very least, China has a few goals in mind when it comes to forming and supporting the SCO. Beijing has sought to tighten the spread of Islamic terrorism and extremism in its western Xinjiang province as it is believed that terrorist groups operating in Xinjiang will get support from the Central Asian states as some of the minority present there migrated

¹⁴ It is a new version of the great game wherein the world countries now have geopolitical interest in Central Asian Region especially because of its richness in the mineral energy resources. Term was coined in late 1990s when Russia and Britain wanted to establish control over the region.

from these countries also. Therefore, SCO will prove fruitful in preventing nurturing of different terrorist organisations and maintaining stability in its internal security arena. The SCO over the course of its existence, established various declarations and signed different agreements and communique to enhance the collaboration in its fight against extremism, separatism, and terrorism. “Bishkek Declaration”¹⁵ and MOU, the “Bishkek Group”, the “Shanghai Convention on Combating Terrorism, Separatism, and Extremism”, among others, were all signed in 1999.

It is possible that the SCO might serve as a testing ground for China’s future leadership position in a region as it is increasingly becoming crucial to China’s future ambitions. SCO helps China to enhance socio-economic development in its backward and disturbed areas. It is also vital for energy cooperation, and for enhancing internal security.

It is pointed out by many scholars that if Beijing wants to take benefit of all the positive spillovers generated by SCO, then it must encourage the idea of enlargement of the organisation’s membership. Also, it should focus on its institutionalisation, as well as endorse and nurture the idea of the collective identity that is put forward by the member nations. For all this, China needs to take Central Asian countries into confidence and shows that it does not harbour any hidden ambitions related to the region. Along with this, it also needs to take into account Moscow’s long-standing position in the region, which has made it a regional influencer.

So, it can be concluded that since the early 1990s, China has made great inroads in influencing the Central Asian countries. Also, its interest in the region has grown over time. Its government has implemented a number of different strategies to fight terrorists and separatist groups and has made significant progress. The major driving force behind the creation of SCO has been to counter terrorists and separatist movement, which also led to improved relations with the Central Asian countries. Infact, SCO and its precursor have played a crucial part in creating internal stability and fighting extremist groups in China. Simultaneously, Beijing has seen improved growth along with the greater economic integration of its backward regions. It has benefitted tremendously because of the improved relations with the Central Asian countries, especially on account of their abundant energy

¹⁵ SCO member countries adopted the declaration wherein terrorism in any form will not be accepted and justified. Declaration was adopted to encourage the cooperation between the members to combat this evil.

resources. This, in turn, leads to the developing of more stable, economical, and political relations with these countries.

SCO shows a true picture of China's ambitions and ideas on multilateralism and the security-cooperation front. To achieve a stronger footing, China has started playing a more proactive role than other countries in the region.

China, in particular, is showing keenness to reform the SCO and institutionalising it as well as creating and supporting the general rules and standards that all member nations are bound to follow. China believes that all these rules and standards in the qualitative sense are on the lines of different multilateral institutions.

Beijing is now focused more on a new form of engagement with the other nations, which is based on partnership rather than on alliance. Furthermore, it is working hard on promoting this type of engagement. Also, Beijing has time and again recognised the valuable contribution of SCO in combating the terrorist and separatist activities in its disturbed Xinjiang province and also its role of working as a vehicle in fulfilling the energy demands of the member countries with the help of Central Asia and Russia. It also acknowledges its role in solidifying the organisation's hold on regional economic cooperation, as well as in the promotion of the organisation that is regional in nature. China also respects and strongly supports SCO's operating principles that are based on the principles of "Shanghai Spirit" which calls for mutual trust between the members and benefitting all in an equal and consultative manner that recognises the diversity of civilisations. Beijing wants to test its leadership in a multilateral institution that it had helped in establishing and on the success of which it attaches greater value.

The existence of SCO became possible because of the commitment of the leaders of the member states. Now, it has become crucial that all the member should work towards greater collaboration and consultations so that it will help the global arena in boosting the economic, political, and security infrastructure. The organisation has the capacity to outshine by playing a more active role in regional affairs. Simultaneously, Beijing is asserting itself in the region because it has to protect its interest from other greater powers. At the same time, it is careful in the sense that it does not want SCO to be seen as an anti-west alliance. Thus, the main aim of China, through SCO, is increasing its cooperation with Central Asian countries and Russia in areas like anti-terrorism, energy security, and WMD

non-proliferation. Hence, it can be concluded that it is maintaining good relations with different countries in order to prevent new power tussle or a great game.

4.5 Russia-China-India Axis in SCO

In establishing the SCO, China played a very crucial role. Its establishment was essential as SCO's growth, in particular, will have a positive effect on Western China's stability and development. SCO is significant not just for Chinese diplomatic policies with regard to Russia and Central Asia, but also is a significant element in China's overall diplomatic policies. SCO also holds importance in fulfilling one of the China's principle of "periphery is important".

In addition to these advantages, for China's overseas energy growth, Central Asia holds an important strategic position. In this respect, SCO will support energy co-operation between China, Central Asia and Russia, turning its bilateral cooperation into multilateral cooperation, pushing China's overseas energy development policy toward Central Asia.

Firstly, in the international situation, there have been some fresh developments. While peace and development continue to be the main subject today, there are still some unclear variables in international relations. Policies of superpower and unilateralism persist, with non-traditional security threats. The pressures created by the new environment, which, in turn, has strengthened their ambition to encourage mutual collaboration, are felt by China, Russia, and India, since they find themselves in a similar predicament. While the pressure from the West must be tackled by Russia, China wants to develop peacefully, and India aspires to be a global actor out of regional dominance.

Secondly, Russia, China, and India all must seek profit and avoid harm to drive economic globalisation, and reinforcing trilateral economic cooperation. As China's and India's economies are increasing sharply and Russia's economy is recovering and developing, these three countries common demands are mutual economic cooperation. It has its own strengths and can be complemented by major economic cooperation projects. More so because Russia has plenty of natural resources, and China and India have enormous human resources which can be utilised in the manufacturing, service, scientific and technological sectors. These factors will become a major driving force for economic progress if integrated.

China's dependence on oil import is 40 percent and for India is 70 percent. Both India and China are oil importing countries. In contrast, Russia is a country that exports oil and which

now has an interest in growing its oil export to China and India and hopes to play its role in coordinating China and India's demand for energy. In addition, Russia, China, and India share a very cohesive vision of international recognition and foreign policy adjustment. All three countries emphasised on the democratic development of international relations so that, via strengthened international collaboration at several venues, a new international order based on international law can be established aside from constructing a strong and independent UN.

The cooperation between the three economies has a very strong footing. These three countries have a diverse directions and orientations in development programmes on the one hand and complement one another on the other. For example, Russia has a strong economic development momentum, pursuing modernisations; India's capacity for scientific innovation, in particular its ability to build software, and China's huge economies of scale in production, could become strong base for the cooperation between three.

The trilateral collaboration between China, Russia, and India can be strengthened under SCO's framework-

- (a) Strengthening the shared understanding of the key issues confronting the world arena today. Promoting international democratisation and multipolarity; making efforts to create fair and sensible new international order and to let the UN play the role of settlement which is very important and crucial in solving today's international problems, and so on;
- (b) Insisting on closer cooperation between Russia, China, and India on terrorism, opposing dual standards of fighting terror, and taking anti-illegal trafficking;
- (c) To increase the trilateral economic cooperation, the enormous potential of their cooperation must be highlighted, in particular, transport, agriculture, energy, and advanced technology.

The properties of a vast area and population are similar to them. They are all committed to economic rebuilding and influencing Eurasian and global affairs. While Russia and India are strategic partners for the long future, China and Russia have also formed strategic cooperation. Sino-Indian ties seem to have recovered after they had experienced the dip induced by the nuclear crisis in South Asia in 1998. The two leaders guarantee their long-term connection with each other through their mutual visits. There is an increasingly united worldwide voice for China, Russia, and India.

SCO's goals are to take part in the Declaration on the establishment of the SCO; to promote the successful collaboration amongst the member states in the trade and policy sector, scientific and economic techniques, and also in areas like education, environment, culture, transport, energy etc; to foster mutual trust, friendship, and neighbourhood amongst the member nations. SCO is, therefore a significant forum for the interaction and collaboration of Russia, China, and India to achieve peace, progress, and stability in both the region and worldwide.

4.6 Future of SCO

SCO emerged as one of the most important and significant organisations in the Eurasian region in less than two decades of existence. Since the formation of the organisation, the basic objective for which the organisation was formed remained the important pillar on which the organisation still holds itself, and that pillar is tackling security threats. But over time, the organisation's aim and objective have expanded to include-

1. Fostering economic growth.
2. Enhance the connectivity across the region.
3. Increasing the cooperation on the energy front in order to enhance the region's energy security.

SCO's economic and strategic stature not only in the region but also in the international arena has increased. One of the reasons for the rise of the organisation is the expansion of its goals and objectives. The addition of a new members is indicative of the organisation's rising recognition in the pan-Asian region and outside the Eurasian region as well.

It is an established fact by political analysts that the sands of political and economic clout are shifting from west to the east. Against the background of this change in the international order, it is believed that SCO can play a crucial role by acting as an important pillar of this transition. However, to make and claim the twenty-first century as the Asian century, the need of a regional mechanism that can enhance the cooperation across the region and effectiveness at the same time becomes important. It is crucial for the organisation to become the fundamental pivot of the region. And in this entire picture, SCO fits perfectly as an organisation that can become an organisation for the Asians, by the Asian, and of the Asians.

The global and regional landscape, which is strategic for a region changes very fast over a period of time and is characterised by huge violence and unpredictability. So, in this changing scenario, the primary task for SCO will be to understand the changes that are taking place around and respectively alter its policies if it wants to realise its full potential in the region. In order to do this, small actions are needed to be taken that include-

1. Changes in the alliances that were traditionally formed;
2. Establishing a partnership with new nations or forums and;
3. Globalisation which is one of the fundamental pillars of the twenty-first century, has acquired connotations. Like globalisation, others have also gone through the same pace. The importance and role that these pillars can lay in today's century are undermined everywhere, including in Eurasia. So, SCO can work here to bring positive changes here and can become the organisation of the twenty-first century.

SCO outrightly abandons the outdated concepts like zero-sum games, the mentality of the cold-war, and civilisations clashing with each other. It seeks to function by keeping the principle of "Shanghai spirit" and "Shanghai wisdom". SCO strongly adheres to the concept of the equality where it treats all the member nations, whether small or big, as equals. Its ideal include non-confrontation, non-alignment, and non-targeting of any other country. The organisation, in a true sense, is an organisation of the future as it believes in the concept that all the countries can peacefully coexist and, therefore, can achieve a win-win outcome for all.

Both Russia and China hold a very dominant and influential position in SCO. There are several factors on which the success of SCO depends, and cooperation between Russia and China is one of the most important one. The ideals of SCO "non-alignment, non-confrontation and non-targeting" and also "An agreement on Building Military Confidence and Reducing Military Forces on Border Areas" were all taken from Sino-Russian relations and how they handled their relations. But over time, both the powers aim to consolidate Eurasia. However, because a lot of conflicts is going in the region, asymmetry increased in the connection between the two nations. As a result, equilibrium and peace in China-Russia relations will be a fundamental determinant of SCO's future. The triangular connection between China and Russia and USA heavily influenced the relations between China and Russia, whether they would cooperate or remain competitive, work as partners or opponents. Both the nation's standoff with the USA has forced them to work with each and

all other members of the organisation in order to circumvent western pressure. So, it can be concluded that this could result in more accommodating Russia-China relations and a better approach toward other regional countries.

Additionally, the organisation's future is also dependent on how SCO addresses the interests and concerns of the smaller nation members. This is going to be very vital in moulding the future of the organisation. These smaller nations, particularly Central Asian countries, are very cautious of Russia's stronger geopolitical alliances and globally expanding economic dominance of China, and they fear that these two countries will try to dominate and influence their economies where CARs don't want any interference. Therefore, these nations emphasised on increasing cooperation amongst the regional countries and exploring opportunities for new partnership in order to widen their strategic say in the organisation. In addition to this, member countries have already raised their concerns regarding the antagonistic ties between India and Pakistan and how it might negatively affect the growth of the organisation. So, it is very important to deal with the concerns raised by the organisation's members to shape the future of organisation positively.

Meanwhile, in the era of globalisation where the interlinkages between the countries in different parts of the world are increasing, SCO also set up new goals of establishing and increasing the economic connectivity, trade linkages, and energy ties between the member countries. But the goal of SCO hit a brick wall as the economic dynamics of the region are evolving over time and are increasingly dominated by a single country-China. It uses different policies like BRI, debt-trap diplomacy, etc., to capture economies around the world. Therefore, questions are raised about whether the goals of SCO are sustainable, transparent, and fiscally responsible, as well as if they serve the goals of the host country. Apprehensions of nations against China can be seen from the fact that during the 18th annual summit of SCO, which took place in Qingdao, India stood against the declaration of SCO, endorsing China's BRI. As per Indian reports, BRI interferes with its national sovereignty and territorial integrity as one of the sections of BRI namely "China-Pakistan Economic Corridor¹⁶ (CPEC)" passes through PoK and Gilgit region which are disputed between Pakistan and India.

¹⁶ It is collection of various infrastructure projects undertaken in the entire Pakistan started from 2013. The project was initiated by China to improve the infrastructure of Pakistan and help in modernising Pak's economy.

Therefore, to foster an attitude of cooperation attitude between the member nations, SCO will have to address all member concerns, even when their interests do not coincide. In principle, it is believed that “better connectivity can help nations overcome political differences by conceiving of their borders as bridges, not barriers, by better leveraging their geographic proximity for mutual benefit, by optimally utilising the vast resources of the region, and enhancing their capacities and competitiveness to more effectively engage with the international system”. So, given the tremendous stake, the fundamental issue for SCO will be to locate the famous “sweet spot” for establishing the regional cooperation.

There are some issues that are very critical and need to be addressed to maintain the dynamics of SCO in the future-

1. The stability of the Central Asian region is essential for SCO as a regional organisation. It is important that the sovereignty of the region is maintained and the region needs to be defended from becoming the hub of extremism and terrorism. Central Asia is crucial if seen from the economic sense as it acts as a bridge between Europe and Asia. So, SCO’s future policies and role execution depend on the stability of the region and preventing the region from becoming a chessboard for the “new great game”.
2. Stability and peace in Afghanistan should be accorded priority in the organisation as the nation has close proximity with almost all the SCO member nations. After the USA decided to withdraw, followed by NATO withdrawal, uncertainty in Afghanistan increased. If the situation in Afghanistan takes an unexpected turn, then the neighbouring countries, which are also SCO’s member, would be first to bear the consequences. The concern related future of Afghanistan is of priority amongst the member states, and therefore, SCO should play a more proactive role in Afghanistan to help it in every possible way to resolve the situation.
3. The economic sphere should be given the most important consideration. Organisation has already achieved success by addressing and introducing approaches to combat the three evils called separatism, extremism, and terrorism. All the members cooperate on these aspects, and functional mechanisms were also created within the organisation to resolve the security issues. However, SCO has lagged behind in economic cooperation, and whatever steps were taken in this respect have not proven to be fruitful. SCO has three pillars which are security, economy, and humanitarian cooperation. Benefits that can be derived from the economy will give desirable results, especially to the Central

Asian Countries. Therefore, if any delay is made further in this area, it will not only hurt the nation's sentiments but also impact the reputation of the organisation.

4. Partnership with the EU is another major issue that organisation faces. It is stated by many scholars that the partnership will have a positive impact on SCO's future. Both of them work towards establishing a strong economic base, and therefore, the cooperation will prove to be very beneficial for the future of the organisation.
5. Expanding the scope of membership.

4.7 South-Asian Arch Rivals and SCO

Since 1947, India and Pakistan have been in regular conflicts (1965 war, 1971 war, 1999 conflict, etc.) because of unresolved border disputes. Because of this antagonistic relation between the two nations, normal development between the two became next to impossible. All the diplomatic engagements which happened to establish long-lasting peace between the two nations failed because of the short-term conflicts that took place between the two countries. Along with this, both the countries also carried out nuclear tests in 1998, which started a rivalry in missile development. Nuclear parity allowed Pakistan to compete on an equal basis with India. However, India has gradually advanced economically and, as a result, has become militarily stronger. Meanwhile, throughout the previous decade, Pakistan has suffered from internal insecurity and economic issues. As a result, the mismatch in the military capabilities and economic capacities of the countries, the power imbalance between the two arch-rivals has widened, limiting Pakistan's leverage and decreasing India's willingness to engage in serious negotiations.

At the annual summit of SCO that happened in Ufa, Russia, in 2015, the decision was reached to remove the moratorium banning the membership of the nations which were in talks with SCO and accept the membership of these partners nations. As a result, India and Pakistan's applications for full membership in the SCO was accepted at the Ufa Summit. The declaration that was accepted at the summit indicated that the membership process had begun and that India and Pakistan would now become permanent and regular members in 2016. Both the countries became SCO's observers in 2005 and since then have been seeking membership in the organisation and regularly attended its meetings.

Accession of these two South Asian arch-rivals broadened the organisation's scope as South Asia is now included in the SCO members regional reach. Previously, only the Central Asian states and the countries which border these Central Asian nations, such

as China and Russia, were allowed to join the SCO. With the addition of Pakistan and India, the SCO's territorial scope now encompasses a wide area of Eurasia, therefore connecting south and central Asia to Russia and China. With the presence of these three countries, namely China, India, and Pakistan, the organisation includes roughly half of the world's population. It is because these three countries are part of the world's most populous countries, and therefore, their presence on the same table would make a huge difference to the organisation. As a result, now the Eurasian region will be open to deeper collaboration in areas such as economic development, security and peace, interstate connection, and integration.

As per the SCO charter, the member nations should not be engaged in active military confrontation and should endeavour to stabilise the border regions while strengthening military trust in order to ensure stability and peace. However, both the South-Asian rivals, India and Pakistan, are engaged in a continuous military conflict, with growing ceasefire infringements by their troops along the disputed borders in Jammu and Kashmir.

The first political priority for Pakistan and India would be to enhance their bilateral ties, accompanied by peaceful coexistence and normalisation. Pakistan has always desired the mediation of a third party to resolve disagreements, but this has not occurred. However, this happened for the first time that both the arch-rivals joined the same regional security group with both countries closest strategic and military allies present at the SCO. Russia is India's longstanding strategic partner, and Pakistan has found a new friend in China after being shunned by the US. Furthermore, due to geographical proximity and India's perception of China as a threat, security concerns involving India and Pakistan would also involve China; hence, it would be a first for China, India, and Pakistan to sit in the same room on the same table to address the issues related to the regional security. This will not only enhance closeness but also helps in building mutual trust between the members.

The SCO's emphasis on minimising the border tensions and sustaining stability is of vital importance for India and Pakistan. In the disputed territory of Jammu and Kashmir, the Line of Control and Working Boundary between the two countries has seen occasional violence in the last year. SCO charter's Article 2 forbids member states from waging war, using force, or pursuing sovereign military dominance in neighbouring territories, implying a commitment to territorial integrity and the inviolability of political boundaries. As a result, in accordance with Article 2, New Delhi and Islamabad will have the opportunity to

discuss border concerns and create a much-needed trust for extensive bilateral conversation at the SCO.

Similarly, New Delhi considers the end of terrorist attacks in the region to be a precondition for further discussions with Islamabad. Another area where New Delhi and Islamabad can identify shared issues and make forward progress in removing bottlenecks that impede talks is on terrorism, as SCO has a special focus on terrorism, which is also stated in Article 1 of its charter, which states that member states will “jointly mitigate separatism, terrorism, and extremism in all their manifestations”. SCO offers a platform to the member nations to revive discourse on the issues rather than debating on that issue.

4.8 SCO role in Enhancing Indo-Russia Future Economic Relations

The Soviet Union made an official announcement, even before India achieved its independence, to formulate diplomatic ties with the Indian federation. This official announcement was made on 13 April 1947. Soviet Union supported India soon after the latter achieved its independence. Relations between the two countries slowed down during the 90s owing to the disintegration of the Soviet Union. Thereafter, the relation between the Soviet Union’s successor i.e., Russia and India have risen and reached to a new level of strategic partnership. Russia was the first country in SCO that always stood up for the full membership of India in the organisation. In support of India, Director of the Centre for East Asian and SCO Studies, Alexander Lukin, even argued that if India is admitted to the organisation, this will make SCO the second largest organisation in terms of the total population of the member countries, only after the UN. He even highlighted that India’s objectives and interest coincide with that of SCO as India, being a secular nation, actively engages in the fight against separatism, religious extremism, and ethnic nationalism. China, was not in favour of accepting India’s membership in the organisation by putting forward the argument that Indian membership would make the decision-making process very complicated. This argument was refuted by Russian leaders, and they defended India’s stand by giving the counter argument that all the members will have the same quota in the decision-making and also India would hugely contribute to the SCO budget. The deputy director of IFES, Sergei Luzyanin, put forward four arguments in favour of India’s membership in the organisation-

1. Strengthen SCO’s fight against terrorism as SCO and India’s interests coincide strongly with this objective.

2. Improves India-Pakistan's relations. Both the countries are the major South-Asian arch rivals, and improvement in their relationship will foster peace, not for the two but also for the entire neighbourhood.
3. Strengthening trust and partnership between China and India.
4. Expansion of Trans-Asian transport communication lines.

Ultimately, it was Russia's steadfast support that allowed India to become a member of SCO.

India and Russia have a long history of military cooperation, which can be seen in the joint production of Brahmos, assistance in space research, submarine imports by India, etc. Both the countries also work hand-in-hand in energy cooperation, and the major cooperation is the power station at Kudankulam, Tamil Nadu. Above all this cooperation, both also cooperate to maintain a stable and peaceful Central Asia. Russia considers India as the only partner with which Russia has no clash over the interest in Central Asia. Russia anticipates that India will become an important player in the area, acting as a counterbalance to the expanding American and Chinese involvement. As a result, the SCO is the only emerging international body that can help Russia and India improve their collaboration.

A lot of sanctions were imposed by USA and western countries on Russia post the annexation of Crimea. This provided the impetus to Russia to look towards the east for allies and partnership, towards its historical allies, and India was one of the important nations in the region. Even after the dissolution of the USSR in 1991, which also marked the end of the cold war between the two major superpowers of the time, Russia managed to remain the largest trade partner of India in the defence sector. Also, India was the first country which realised the potential of Russia's Far East policy and opened its consulate in Vladivostok, which not only reduced the shipping time between the two nations but also provided a way for India to remain silently present in the South-China sea and also establish a toehold in the mineral-rich region. This proved great for the economic relationship between the two countries in terms of energy ties, defence ties and also opened new avenues in the agricultural sector and its infrastructural field. In addition, both countries increased their economic ties to a new level in the light of sanctions imposed by the west on Russia. In addition to the sanctions on Russia, the US also adopted protective measures against India wherein both the countries are imposed tariffs against each other and moved to international fora against each other in relation to the trade disputes. So, by looking at the

US position today, it can be made out that India could expect a few more hurdles in the future. Therefore, in the light of these negative developments against both the nations and positive development in terms of SCO between the two, it can be safely said that in the presence of SCO, the above-mentioned potential from the far-east region between the two countries in term of increasing ties can be realised earlier and both the nations can improve and increase their economic ties to a new level.

SCO, in the very starting, began with a focus on military and security concerns. But gradually, it started to expand its areas of cooperation with economic cooperation given the main priority. SCO, in 2003, took on a programme on economic and trade cooperation and set out some significant economic objectives to be achieved by 2025. This set the stage for SCOs growth in the field of economic cooperation between the member nations. SCO, through different agreements and MOUs, is also working to generate appropriate conditions for the free movement of goods, services, technology, and capital. Countries also worked towards the SCO Banking Consortium, wherein from each member state, one bank will be selected to be a part of this consortium, and this will help in establishing a closer link between the financial institutions while dealing with and solving the technical issues being faced by the countries. This will enhance the banking transactions and access, especially for the traders in other countries and also smoothen the foreign investment processes. Russia and India can take advantage of this and can increase their banking activities and enhance their movements of goods, technology, services, and capital.

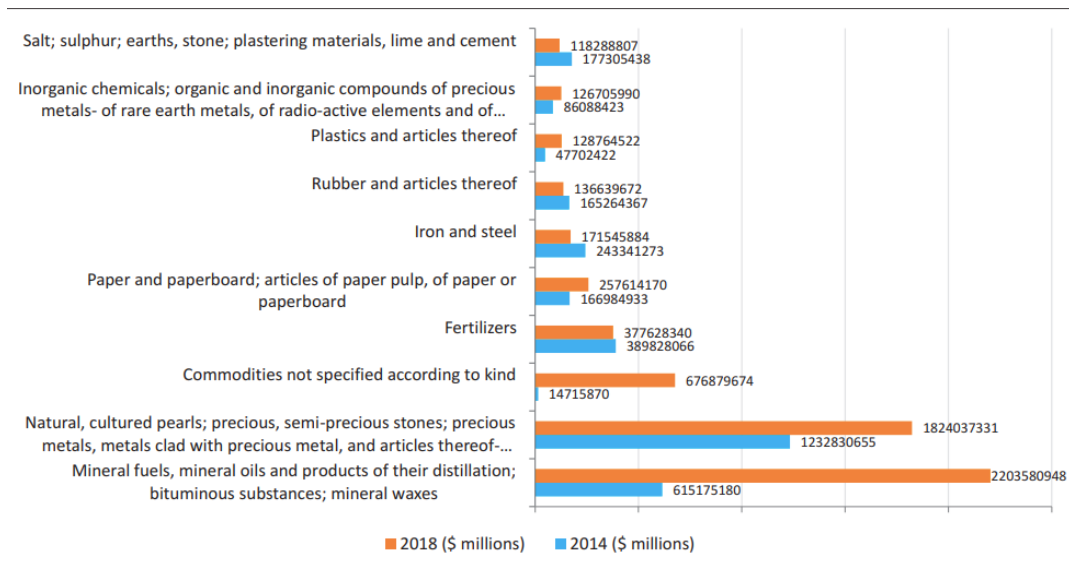
Table 9: Russia-India Bilateral Trade (in billion \$)

2018	11
2017	10.17
2016	7.71
2015	7.83

Source:Ministry of External Affairs

It can be noted from the above table that post 2015, trade between the two countries began to grow gradually.

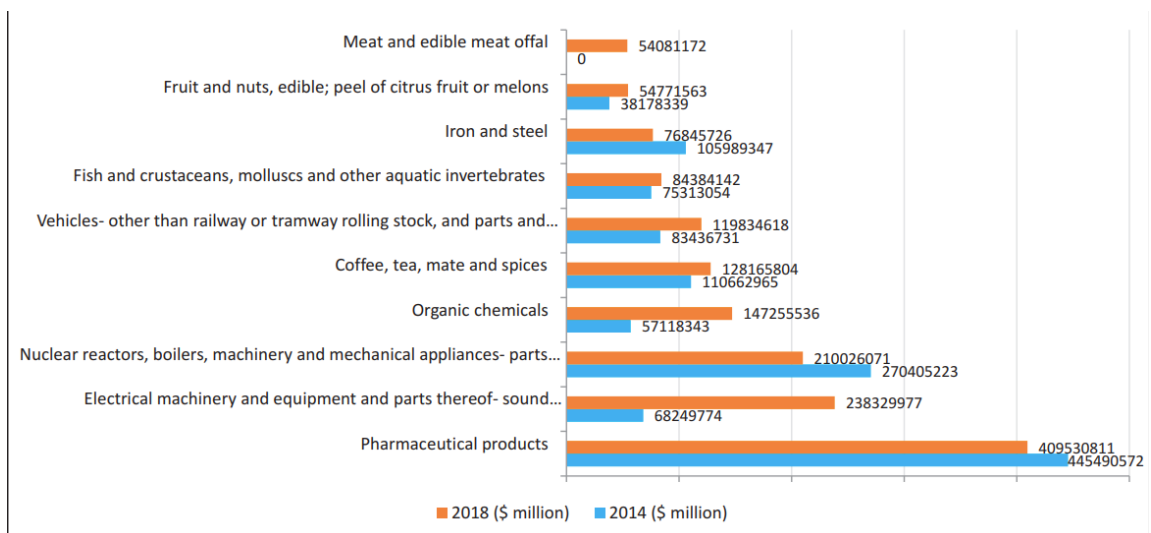
Figure 24: Imports of India from Russia



Source: UN Comtrade

From the above figure, data of the top 10 imports from 2014 and 2018 were compared. It can easily be seen that in 70 percent of the products, India's imports from Russia increased from 2014 to 2018. Furthermore, the credit can be given to SCO, which led to the signing of many agreements between both nations, which led to this increase.

Figure 25: India's Exports to Russia



Source: UN Comtrade

On a similar line, the majority of products that are exported from India to Russia also increased.

There is a lot of scope for increasing the trade between the two as private sector engagements in both nations is not upto the mark. Because of this, some local brands of both countries still don't get recognition in each other's markets, a situation when addressed will provide gains through increase in trade. Furthermore, SCO will provide the platform to these local brands to showcase the member nations of their potential.

Investment is also given priority now after both the countries achieved their set target of \$30 billion in 2017, which was supposed to be achieved by 2025. Now, the new target is \$50 billion by 2025. India's majority of investment goes to the oil and gas sector in Russia, and also Russia is the topmost destination of investment from India in the hydrocarbon sector. Diversification in areas such as pharmaceuticals, metallurgy, shipbuilding, space, etc., can lead to the massive increase in investment. Railways and nuclear energy are other emerging areas for investment destinations in India. SCO is keen to increase the investment amongst the member nations, which not only enhances the cooperation between the members but also works towards improving the global financial situation.

In addition to this, in respect of development of financial interlinkages, one of the primary goals of the organisation is to create a system allowing member countries to make payments in their respective national currencies. Such a system will provide a fillip to the trade relations. It was also suggested in one of the summits that an action plan was required to create a new and global currency reserve, not based on the dollar, that might stabilise the finances globally. India currently is one of the most attractive destinations in terms of investment. Russia can take advantage of this and can increase its investment in the Indian market particularly since its investment abilities in the West have been marred by western sanctions and there does not seem to be an end in sight to the situation. This will improve economic ties between the two countries.

The formation of the Business Council is also recommended. It will help in enhancing the dialogues between the large companies and business houses in the region and assist the budding entrepreneurs as they are the ones who identified this as the major hindrance in the investment activities. Traders, corporate houses, and big businesses from both countries will benefit from the formation of this council, and on the sideline of this council, traders of both nations can overcome the limitations they are facing in other countries.

Defence is another sector where both nations can increase their cooperation. As per data provided by SIPRI, Russia is one of the largest suppliers to India in the area of defence, with 58 percent of the share of arms import between 2014 and 2018. With India looking to reduce its dependence of imported military hardware, Russia can step in to assist, by way of technology transfers, in the growth of the Indian defence sector, that is in its nascent stages. Even in the past, Russia has been one of the few countries that have not shied away from transferring technology to India.

Further, to strengthen the infrastructure and to smoothen the linkages, especially through transport, roads are being constructed between India, China, and Pakistan with the rest of the member countries and the Caspian regions. Efforts are also being made to enhance air communication across all the member nations. In addition to this, an energy grid corridor is being promoted to connect Russia and South Asian countries via Iran, and the due seriousness that INSTC in order to provide the much-needed infrastructure so as to improve the trade relations between the countries. India is one of the largest energy importers as well as the consumer, and Russia is one of the major hydrocarbons producers and exporters, there is a lot of potentials that SCO can become the multilateral institution that will act as the mediator for the energy infrastructure and coordination between the two.

Both the countries are actively engaging in removing the biggest three menaces of extremism, terrorism, and separatism. SCO's 15th annual summit was very crucial in the sense that it highlighted that expansion in the membership was taking place with the pledge to further expand the cooperation on the economic front and enhance as well as work for better security coordination. It is likely that this will lift up the cooperation amongst the SCO member nations to a new level.

Both countries are working to eliminate the menace of terrorism. SCO can become the platform for both, where they can raise their voice and take the urgent steps required for the elimination of this evil. Elimination of terrorism has become more important for both nations, especially since the withdrawal of the International Security Assistance Force¹⁷ (ISAF) from Afghanistan.

¹⁷ This mission was established by UNSC in 2001 wherein arm personnels from different countries are deployed. ISAF was established with special focus on Afghanistan and stationed there from 2001 to 2014. ISAF was station to train Afghanistan personnels, help in building the important government institutions, and for the war against Talibans.

In addition to above all the benefits and cooperation between the two, SCO also provide a platform as a forum to sign various political agreements to enhance neighbourly relations in the light of “Shanghai Spirit”. So, SCO is the fora that provide these two countries a platform to further enhance their relations in all the fields with peace and mutual respect for each other as the hallmark.

Chapter- 5

International North-South Transport Corridor and Eurasian Economic Union as the New Engine for Russia-India Trade and Economic Linkages

5.1 Introduction

Almost all the economic activities¹ and everyday human lives depend on transportation networks. Transport flows are often grouped together and are known as transportation corridors that connect urban and commercially significant areas. Clearly, effective and sustainable transportation is desirable for economic growth and development. So, many ongoing efforts to build major transportation corridors are underway. Travellers, transportation buyers, transportation service providers, and transportation authorities are all impacted by it and therefore are interested in the construction of these corridors. These are also the major stakeholders in the sector. The interactive participation of these stakeholders in the corridor's growth and subsequent management is referred to as corridor governance.

Poor countries, particularly those that are landlocked², and the countries which are in the starting phase of their development path, face major barriers in getting access to the world market. This obstructs their development process. The poor performance of the overland transit networks owing to infrastructure backwardness limits their trade potential. Transportation facilities, corporate practises, customs policies, governance, and infrastructure backwardness are the factors that impacts the trade potential of the countries, as these factors directly impacts the transportation corridors. For landlocked countries, connectivity with the world economies has been one of the topmost priorities in their development agenda, but planning and executing them has always been a hard task. Uniform policies are required across a number of industries and countries to facilitate the transportation of goods and services.

Focusing on trade corridors has proven to be one of the most successful techniques to increase trade. The trade corridor is an ideal platform for solving challenges, bringing policymakers and stakeholders together, and promoting trade facilitation and investment initiatives. Corridors bring together the regional and national policies.

It was established by famous economists using the gravity model that trade and competition increases by the use of the foreign trade corridors and, therefore can be used to stimulate

¹ Economic activity includes the provision of the production, purchase, and sale of the goods and services to meet the basic needs of life. It includes the activities that deals with the manufacture of the goods and services, distribution of the goods and services, and the utilisation of the goods and services.

² Landlocked nation is a nation which “is surrounded on all directions by one or more other countries and therefore lacks immediate access to the oceans”.

economic development³. Multiple authorities are also obligated for the maintenance of roads, i.e., their upkeep and construction is a responsibility of the many authorities working in sync with the different sources of funding. As a consequence, it is essential to differentiate the functions of various corridors in providing for regional, domestic, and transit traffic. There are six variations of corridors, namely, National, Bilateral, Multilateral, Single-modal, Multimodal, and Intermodal corridors.

1. National Corridor-It is a trade corridor with a specified path within a country's transportation network for transporting goods across the borders. It links the major production and consumption centres. The main function of these types of the corridor is to connect the national capital or industrial heartland of the country to its principal port so that transportation of goods becomes easy.
2. Bilateral Corridor-This corridor carries goods between two countries while also allowing each country to use other's international gateways. These corridors have one or more border crossings and connects to one or more international gateways. These corridors are established by the national legislation.
3. Multilateral Corridor-It is a corridor that moves cargo through more than three countries, of which at least one serves as a transit country. As a result, there are at least two border crossings, and one or more international gateways may be available.

Another way to distinguish corridors is to look at the variety of modes and routes that are included in the corridor's description. Under this, the corridor is of three types-Single-modal, Multi-modal and Inter-modal Corridor.

1. Single-Modal Corridor-The management of these types of corridors is relatively easy as only one mode is used, and also the route is a single corridor, like railroad or roads, etc. Infrastructure construction is overseen by a single entity. The mode of transportation is controlled by the same or a different agency.
2. Multi-modal Corridor-Management of these corridors is relatively more difficult as different modes are used as well as it has different parallel routes running. Both growth and regulation necessitate cooperation between nodal agencies. Senior political

³ Economic development is described as the overall process to improve the economic well-being and quality of life of a country. It is a feature of both consumer competitiveness and the nation's welfare principles. Also, economic development not only incorporates economic growth (increase in "Gross Domestic Product (GDP)" of a country) but also talks about reducing hunger, and unemployment, and increasing literacy and overall welfare of the economy.

leadership, such as the Prime Minister, senior ministry, etc., are involved in order to achieve the proper implementation of the functioning of these corridors.

3. Inter-modal Corridor-Intermodal corridor is made up of different modes of intermodal links on a single route only and, therefore, are more difficult to handle. This necessitates greater cooperation between the ministries/agencies in charge of each mode.

Transport corridors are also characterised by two dimensions, represented by a tangible physical dimension and an intangible functional dimension. In terms of the physical dimension, transport corridors are multi-modal routes that connects the economic centres within and across an economy. The alignment of these routes may differ, but they all lead to the same destination, facilitated by common transfer points. These routes are composed of links through which transport services passes, which in turn are composed of nodes that join transport services. The entry and exit from the corridor are facilitated by access points, aptly called access points.

The functional dimension of trade corridor links neighbouring countries together, segregated by one or more transit countries or provides landlocked economies a passage to access the sea (for instance, the corridors linking landlocked Bolivia to the Pacific ocean via Chile and Peru, and another example is the corridor linking Nepal to the Bay of Bengal and the Arabian sea).

It is very important that the differentiation is made between the trade and economic corridors, but it is an evident fact that most trade corridors are built to help cities and countries along the corridor to develop economically by providing better transportation and logistical services (for instance, countries of the Greater Mekong Subregion⁴ are connected together by different corridors). The relationship that exists between economic and trade corridors and growth and development is so unique that the countries in East and Southern Africa have included corridor construction in their Spatial Development Initiatives (SDI)⁵.

⁴ This is the region which is transversed by the Mekong river in the South-East Asia. It comprises of six South East Asian countries, namely, Laos, Cambodia, Myanmar, Vietnam, China and Thailand.

⁵ The Spatial Development Initiative (SDI) was framed in 1995 by the Cabinet of South Africa to increase government functionality in regions where there was a high potential for growth. SDIs are therefore focused initiatives by the central government aimed at assisting in the unbundling of economic opportunities and promoting new investment and employment growth in a given field or country.

5.1.1 Management of the Transport Corridors

Transit as well as trade arrangements, physical infrastructure along with enabling facilities, efficient logistics system, laws, and security are the aspects that fall under the purview of the scope of management and are protected by the corridor management. A number of performance metrics that cover each of these corridor elements individually, as well as the corridor as a whole, are used to determine their efficacy. Corridor management serves as a focal point for this monitoring initiative, and it coordinates all the efforts to enhance the results.

A corridor's operation and management are divided into three parts: physical infrastructure, operational procedures, and legal aspects. The legal aspect covers different types of bilateral and multilateral agreements which enable the transportation of goods across international geographical borders. It covers regulatory provisions and rules and regulations which enhances smooth and uninterrupted transportation and logistical services not only along the corridor but also across the international borders. The physical component of the corridor consists of infrastructure facilities and services, like border crossings and international pathways. The operational feature contains implementation directions which smoothens the regulatory structure and maintains favourable policy systems. The operational aspect has provisions for modifying the system to enhance efficiency and facilitate changes in the mode of transport and logistical services. These three aspects do not appear in any particular order. The physical and legal aspects are intertwined, and the operational process cannot start unless the other two are completed.

The requirements that enhance a corridor's efficiency are: (1) strong physical infrastructure; (2) regulations regulating the usage of the corridors; and (3) course of actions required for the implementation of the standards.

5.1.2 Economic Integration

Economic integration is a form of arrangement that takes place between nations through an agreement. An agreement is signed between nations to reduce or completely eliminate all the trade barriers that exist between the member countries. Also, the nations that are part

of the agreement try to coordinate their fiscal policies⁶ and monetary policies⁷, respectively. Furthermore, it also seeks to reduce the cost of production for the producers, which in turn got reflected in the lower prices for the consumers. So, this will benefit both the classes of participants in the economy and leads to trade enhancement between the nations. Sometimes, economic integration is also termed as regional integration as the arrangement is often concluded between the neighbouring countries.

There are three categories of advantages owing to economic integration: increased employment, trade advantages, and cooperation in the political sphere. Additionally, economic integration generally reduces trade costs, increases accessibility and a wider range of goods and services, and enhances efficiency, which results in increased purchasing power of the people in the country. Opportunities for employment tend to improve because liberalisation of trade leads to expansion of the market, sharing of the technology, and most importantly, it enhances cross-border investment opportunities for the investors. Finally, political cooperation between the countries improves because of the strengthening of economic ties which provides incentives for peaceful resolution of conflicts, and improving stability.

Economic integration also has costs despite the advantages, and these costs fall into two categories-

Firstly, Trade distraction, that is, trade diverted from members to a non-member. Secondly, National sovereignty erosion, that is, economic union members are typically bound by the trade, monetary and fiscal policy rules of an external governing body.

Essentially, the economic integration between states has two defining factors:

Negative integration: this involves removing barriers to the movement of goods, services, and production factors.

Positive integration: this refers to the establishment of common sovereignty by amending existing rules and setting up new institutions.

⁶ Fiscal policy deals with the government purchases from the expenditure side and taxation from the revenue side. Government uses the fiscal policy to maintain strong macroeconomic variable and especially to help the economies when they are in the downward trend of the business cycle.

⁷ Monetary policy is the policy of the economy under which the Central Bank of the country controls the money supply to achieve the specified macroeconomic goals and to promote, maintain and stabilise the long run economic growth of the nation.

Economic integration has five levels-

1. Free Trade Agreement (FTA)-Under this agreement, tariffs⁸ between member states are considerably decreased, while some are abolished completely. The third-country tariff is maintained by the respective members themselves that are part of the FTA i.e., they have their own decided tariff rates against other countries with whom the FTA is not signed. FTAs are conceived to achieve the pre-determined objectives, which are - a. to achieve economies of scale⁹ in the production process, b. Promotion of economic efficiency, and c. achieving comparative advantages¹⁰ in the scale of production.
2. Custom Union-Under this, the member countries set common external tariffs between the member states against the non-member state, which implies that the same tariffs apply to other countries by the members that are not part of the union. A common system of trade is established. Custom unions are especially helpful in levelling the competition and addressing the re-exports¹¹ problem.
3. Common Market-In Member States, capital and services are free to move across the borders. Economies of scale and comparative advantages are expanding between them. However, in this form of arrangement, each member country can maintain its own regulations over the market without any interference from the member countries.
4. Economic Union-In this form of arrangement, all tariffs will be removed between the members in order to create a uniform (single) market for trade. Free movement of labour also occurs, making it possible for workers in one of the member states to move and work in another member state. Monetary and fiscal policies are harmonised between the countries, which involve a level of political integration. A second step is the use of a common currency such as the Euro, which is used by the members of the European Union as common currency.

⁸ Tariff are the taxes on the imported goods.

⁹ Economies of scale is a concept that is related to the scale of operation of the firm. Under this, a firm achieves the cost advantages by producing in larger quantities and maximise their profits by reducing the costs.

¹⁰ Comparative advantage theory was given by the David Ricardo in 1817. Under this, a nation has comparative advantage when it produces a good with lesser opportunity cost (it is the next best alternative cost) in comparison to its trading partner. David Ricardo came with this theory to explain that nations can also trade with each other and can derive benefit from the trade even when one nation has absolute advantage (producing the good with lesser resources available) in producing both the goods.

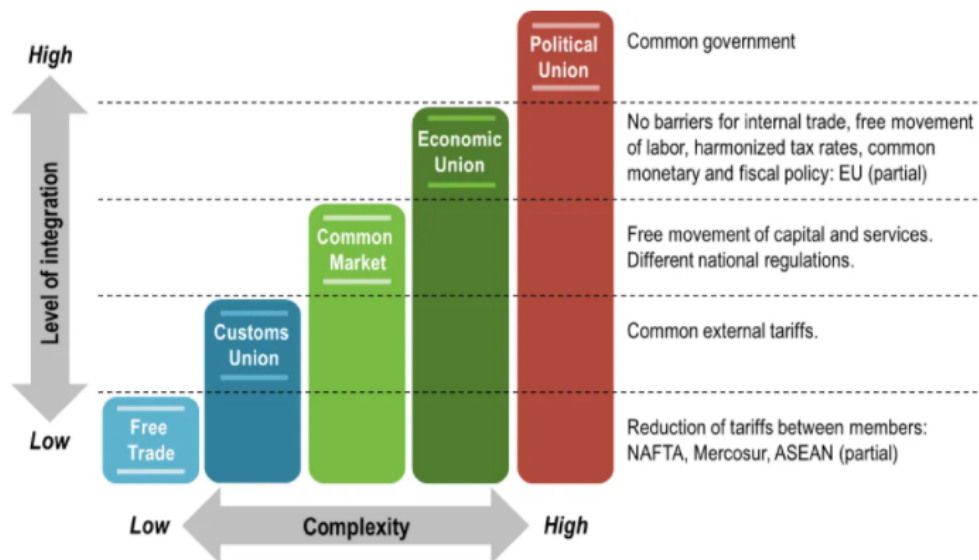
¹¹ It is the form of trade where country exports the good which it imported from another county without changing or altering it.

- Political Union-With a common government as a functionary for all the member nations, it is one of the most advanced form of integration in the global arena. Therefore, the majority of decisions for all the member nations are taken by one government. Under this arrangement, member state's sovereignty is significantly reduced.

As the level of integration approaches from FTA to Political Union, complexity increases as many arrangements have to be put in place regarding enforcement of rules, arbitration, etc.

Figure 26: Levels of Economic Integration

Levels of Economic Integration



Source: Wikipedia

5.1.3 Economic Union

When two or more nations come together formally by signing an agreement that allows the free movement of goods, services, financial services, and labour across the borders for all those who signed the agreement, is called an Economic Union. In addition, to support this one market, governments might coordinate their financial and social policies. The main objective behind the creation of the Economic Union is to promote trade between the nations by eliminating the tariff as well as non-tariff barriers.

Global market development increasingly depends on international organisations offering standard rules to decrease or remove tariff and non-tariff obstacles¹² to cross-border trade. The increasing relevance of these barriers, on the one hand, reflects a reduction of more evident international trading expenses. For instance, average tariff levels have dropped to an all-time low of 3 percent in multilateral and regional trade agreements. On the other hand, with the increasing complexity of world trade, regulatory harmonisation became crucial. The rise of businesses with many phases of production in various nations along the global values chains has increased exponentially. The service sector became the most important sector for growth in international trade, that can be seen from the fact that it accounts for about 2/3 of world output. However, this represents just less than a quarter of international trade, partly because many services — particularly professional and financial services — are constrained by separate national rules. The demand for uniform policies for market integration and profitability has led to the establishment of international economic unions. This institutional development was pioneered by Europe. The creation of the European Economic Community in 1957 was the main purpose of the single market. And after seeing its success, many such economic unions were created among the nations like CARICOM¹³, Gulf cooperation council¹⁴ (GCC), Eurasian Economic Union, etc.

5.2 International North-South Transport Corridor

INSTC is a 7200 kilometre(km) multi-modal transport corridor envisaging road, sea, and rail routes, which got ratified by Iran, India, and Russia, in 2002 after being launched in September 2000 with a sight to enhance connectivity in Eurasian region¹⁵. It aims to connect the Caspian Sea, located in the heart of Central Asia, and the Indian Ocean, which lies in the south of the Indian subcontinent, via the Persian Gulf. INSTC was launched in St. Petersburg, Russia. The route provides the shortest connectivity to the region, which is the main objective as conceived by the corridor. In 2005, the corridor was joined by

¹² Non-tariff barriers are restriction to the trade, other than the tariff. By giving many reasons, most often countries use non-tariff barriers to further their political and economic strategies. Most commonly used non-tariff barriers are-quotas, subsidies, levies, etc.

¹³ The Carribean Community or CARICOM is the organisation that comprises of the 15 states of the Carribean region. They formed this organisation in 1973 to promote cooperation and economic integration between the member countries. They coordinate their respective economic policies and plan development strategies accordingly, solve regional disputes related to the trade, and implement special development projects for the least-developed members.

¹⁴ GCC formally came into being in 1981 as intergovernmental and regional organisation to coordinate its policies on different fronts that includes military, social, political, economic, scientific, tourism, etc.

¹⁵ Eurasian region comprises of the two largest continents, that is, Asia and Europe.

Azerbaijan. Furthermore, this will help all these nations to use the corridor to protect the regular flow of goods and people to promote their economic interests.

The essential target for which INSTC was conceived in the very first place is to lessen the costs and time relative to the Suez Canal¹⁶ course. The Suez Canal route also has some security issues because of the middle east's proximity, and therefore, another route was needed. Some other goals for which INSTC was conceived includes:

- a. to build the viability of transport ties on moving merchandise and people along 'North-South' of the corridor.
- b. to elevate admittance to global business sectors through rail, road, ocean, waterway, and air transportation of the countries that are party to the agreement.

It not only helps in expanding the volume of global transportation of people and products but also provides the security to people and goods along the route. Not only this, but the route also follows all the environmental policies, set as per the international standards.

The crucial benefit of INSTC is that it tries to bring all the stakeholders on the same ground concerning their transport policies so that their respective legal and administrative laws will not come in each other's way. Therefore, it strives to make equivalent and non-biased conditions for a wide range of transport specialists from all the countries.

In 2014, two dry runs were conducted on the route to check its feasibility, and both were successful. One was from Mumbai to Baku and the second from Mumbai to Astrakhan, and both were via Bandar Abbas. Results drawn from the dry run showed that transporting cargo through the INSTC corridor will cut the transportation costs by \$2500 per 15 ton of goods, and the time will be reduced from 40-60 days to 20-30 days when compared with the Suez Canal route. From the data collected with the help of these two dry runs, it is estimated that in percentage terms, transit costs are cut by 30 percent and time by 40 percent. Russia and India are not the only countries that will reap all the profit that is going to generate from the successful initiation of the corridor, but other countries can also take part in these profits by joining the corridor at a later date. Like Azerbaijan, which joined it in 2005, can also extract these economic gains. Therefore, more countries from Asia and Europe are showing interest in joining the corridor like Kazakhstan, Tajikistan, among

¹⁶ It is waterway that is artificially made to connect Mediterranean Sea with the Red sea. It run in the direction from north to south and separates Asian continent from the African continent. The canal also provides the shortest route from Atlantic Ocean to Indian Ocean and vis-a-vis.

others. Later, INSTC membership was expanded to eleven new countries that include Ukraine, Armenia, Oman, Azerbaijan, Kyrgyz Republic, Turkey, Kazakhstan, Bulgaria, Tajikistan, Syria, and Belarus. Even though Turkmenistan is not a member of the corridor, but it is very much part of it.

INSTC is indeed being developed at the time when the grand project of China was already on the table, termed as Belt and Road Initiative (BRI)¹⁷. It spans three continents across the globe-Asia, Africa, Europe, and more than 60 countries already signed to be a part of the Chinese grandeur project. It is said that INSTC might be overshadowed by BRI, but it will not because the founding countries of INSTC are fully determined to take it further and in a direction that is distinct from BRI.

From the historical times only, the route of this corridor which connects Europe with Asia was used. The route was mainly used by traders from Europe, India, Russia, and other foreign countries. Both India and Russia hope that this corridor will bring people closer to each other due to its ancient greatness and therefore furthering people-to-people ties. The project has the potential to become a huge economic development driver for both the countries. INSTC will also enhance strategic and political relations between India, Russia, and the countries involved.

Figure 27: INSTC Route



Source: UNESCAP

¹⁷ Chinese government conceived the project to develop itself as an infrastructure giant in the world, to improve the regional connectivity and to take advantage of the large markets in the region. In 2013, President Xi Jinping announced to the world countries about the initiative.

The corridor has three branches-

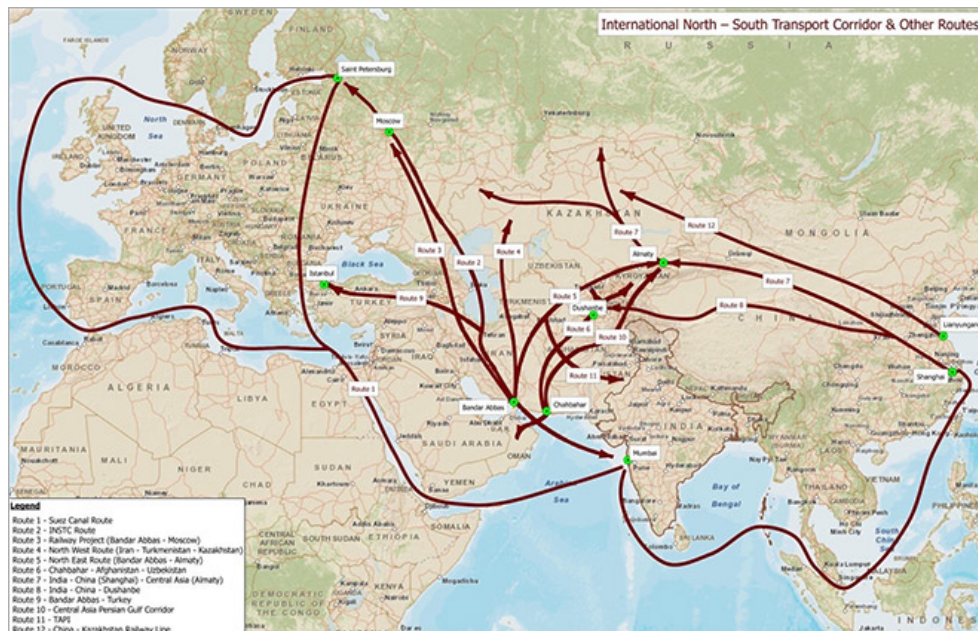
Western Branch-This branch connects Azerbaijan railways to Iran and extends to JNPT via the sea route.

Central Branch-This branch starts from JNPT in the state of Maharashtra in India and extends till Bandar Abbas port of Iran via the strait of Hormuz. Then the route runs along the Caspian Sea to reach Russia.

Eastern Branch-This route connects India and Russia via three Central Asian countries, which are Turkmenistan, Kazakhstan, and Uzbekistan.

Also, the nation's belonging to INSTC are planning to expand the current routes and are building new rail links with the rest of the world, such as the case between Iran and Armenia. Additionally, via the Trilateral Highway, India will be connected with Myanmar and Thailand. This will widen the scope of INSTC by connecting South East Asia to Europe. Also, there are several routes that are under construction, while some are in talks, which will widen the scope of INSTC in the future. These expected routes are shown in the below figure. (Figure 28)

Figure 28: Eurasia's Connectivity Mosaic



Source: GIS Lab, IDSA.

5.2.1 Objectives of INSTC

INSTC was conceived with the following objectives:

1. To improve the efficiency of transportation links so that the transportation of passengers and goods along the corridor are organised in a better and an efficient way.
2. To allow all the parties who have signed the agreement to be part of the corridor and to use all the modes of road, rail, sea, road, air, and river transportation to gain access to the international market.
3. To assist in growing the amount of international passenger and freight transportation.
4. To include travel security, cargo security, and environmental protection in accordance with international standards.
5. To harmonise the policies of all the member parties in the transportation sector. It will also provide framework for the regulatory and legal discourse in the field.
6. To create an enabling environment for all the parties that are involved in the corridor regarding services in the transportation of goods and passengers. The main aim is to provide a non-discriminatory and equitable environment to these service providers.

5.3 India's Interest in INSTC

INSTC will prove to be very helpful for India as it is estimated that it will boost its trade and investment with Russia, Central Asia, and other partner nations. It was highlighted in India's "Foreign Trade Policy of 2015-2019". Also, in one of the studies conducted by the "Federation of Freight Forwarders Associations in India (FFFAI)" on the corridor, it was concluded that, in percentage terms, transit cost would come down by 30 percent and time by 40 percent when compared with the traditional routes that India is currently using.

India depends heavily on imports of hydrocarbons to meet its domestic demand because of increasing consumption. India stands at fourth rank in the world regarding energy consumption. So, it could be drawn that a large amount of money is spent on energy imports and therefore, it affects India's current account balance. Therefore, INSTC can prove to be a major achievement with respect to this aspect. A large number of hydrocarbon-rich nations are located along the path of the corridor, and therefore, it provides a gateway to resource-rich countries for hydrocarbon imports, and more countries means more competition and, therefore, cheaper prices. In addition to this, transit costs will also be

reduced, which will reduce India's current account deficit¹⁸ and make rupee competitive in the world economy.

To build and strengthen stronger ties with the Central Asian countries, in 2012, India came up with the Connect Central Asia Policy¹⁹. India always considered Central Asia as its extended neighbourhood, and also both share long historical and cultural relations. Therefore, this will not only help in diversifying India's energy sources, but also it can support India's bid for United Nation Security Council (UNSC) permanent membership. Majority of the Central Asian countries supports India's bid for the permanent seat in UNSC. So, INSTC not only helps India to connect with the Central Asian energy market but also strengthen their relations by reducing the distance.

Currently, the freight traded between the two countries travels either through the Rotterdam port of the Netherland or through the Qingdao port of China, and it is quite inefficient as it takes more than 50 days. However, INSTC will bring this travel time down to around 16-21 days. Furthermore, it also provides other less expensive options. It further encourages travel and reinforces exchange availability. However, other than the clearer advantages of expanded trade, the time and cost benefits, newly expanded markets for both economies are another advantage positively adding to the competitiveness of the two countries.

INSTC will offer huge possibilities for India, especially in reducing travel costs and time for India. Chabahar port venture, where lies India's interest is proposed to be coordinated with the INSTC. It will help India to bypass Pakistan and Afghanistan during hard times. For India, Chabahar port which lies in Iran does not only provide the source as a fundamental position to the entire Central Asian markets. But also, it is of huge significance to India's security concerns. This port holds a very critical position for India to counter the Chinese presence in the Indian Ocean region, as it is located 72 km west of the Gwadar port. Gwadar port is the strategic port of Pakistan and is developed by China as a part of BRI. Further, as India is in talks to sign FTA with Eurasian Economic Union²⁰, and if the

¹⁸ Current account of a country is in deficit when a country spends more than what it receives. It means that import of the goods and services+factor income+transfer payment is greater than the exports.

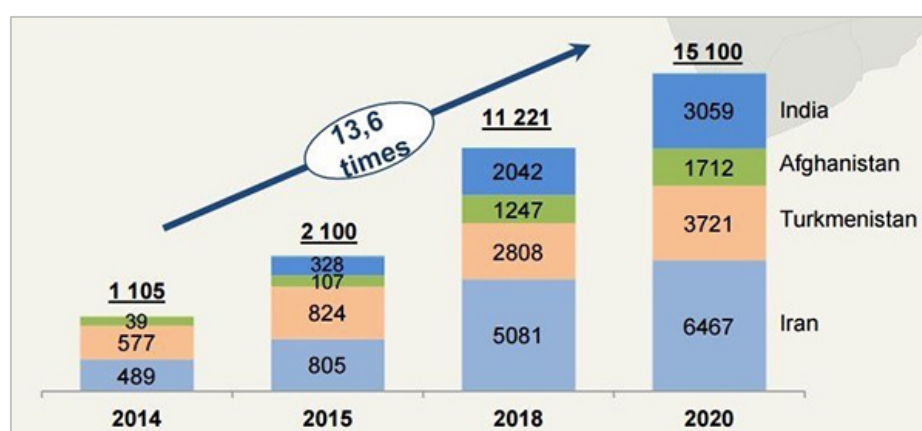
¹⁹ India considers Central Asia as a part of its extended neighbourhood and both the region also share long historical ties. After the Soviet Union disintegration in 1991, India began to draw apart from the Central Asian countries. So, in this context, in 2012, Indian government came up with the policy of Connect Central Asia with the main focus of reconnecting again with the region. The main area of cooperation covered under the policy includes strategic, political, cultural, economic, people-to-people ties, educational, IT, medical, etc.

²⁰ It is an economic alliance between the West Asian nations, East European Countries and the Central Asian countries. It was signed on May 29, 2014, and took effect on January 1, 2015, when it was ratified by all three

FTA is signed, then India can reap additional benefits from the corridor. Besides, INSTC is broadly contended as the most ideal choice to counter China’s ‘One Belt’ corridor. Most importantly, it also encourages international alliances, and provide opportunities to the nations engaged in the corridor to form and engage in new regional blocs while achieving a more uniform policies and improving the stability in the region.

It can be seen from the below figure that freight traffic increased for India between 2014 and 2020, which was very less in 2014.

Figure 29: Freight Traffic



Source: ORF

INSTC also enhances India’s foreign policy. Because of the sour relations with Pakistan for a very long time it has disturbed India’s westward connectivity. So, by giving an immediate connection to Chabahar and Bandar Abbas of Iran, INSTC permits India to bypass Pakistan. Moreover, it also gives India a chance to reconnect with Russia, which is turning towards Pakistan because of India’s growing closeness to the United States of America (USA).

5.4 Russia’s Interest in the Corridor

The “Institute of Economic Forecasting of the Russian Academy of Sciences” in one of its analyses studied the importance of infrastructure projects. It concluded that if Russia invests in any infrastructure project today, the project through multiplier effect would produce a profit that is two times the initial cost. That is, at the end of the day, for each

primary members of the Eurasian Economic Union, that is, Russia, Belarus and Kazakhstan. The creation of the Eurasian Economic Union is an important step toward more economic unity among European and Asian countries. The Convention ensure a free flow of products, facilities, money, and labour in the EU.

Rouble put into the economy in the infrastructure project, then through the other related areas, the economy earns extra income, i.e., more than one Rouble. So, this proves profitable for the economy to invest in the infrastructure projects. The claim was supported from the data collected and projections made on the investment done in the Russian railways. Russian railways plan to invest 7.2 trillion Rouble in railroad framework advancement till 2025. It is estimated that for the Russian economy, this investment will produce around 20 trillion roubles in extra income. Therefore, Russia sees this corridor to enhance its economic relation and boost its bilateral trade further and consider it as a tool to deepen the economic integration in the region. Furthermore, in terms of GDP, on a yearly basis, 18 percent of GDP will be generated in extra income. As of the data of 2016, bilateral trade between Russia and India stands at around \$7 billion. Both the nations had set a target to increase their bilateral trade to \$50 billion by 2025 and realised that this can be achieved by their active participation in INSTC.

When the decision of the INSTC project was on the table, the Russian government had already looked at all the advantages it will reap by the participation in the corridor. Some of them are-first, removing the products coming from the Chinese market as an export for the European markets. It was decided that this aim would be achieved by moving the shipments of trans-Eurasian coming from the ocean courses to the lands through the Caspian states, Iran, and the Russian southern part. Second, importance will be provided to the development of Central Russian region, region close to the Caspian Sea and the region that lies along the Volga River. It will be achieved by investing in the sectors that are related to the corridor. Third and the most important benefit that Russia focussed on was to enhancing its relations with the European countries by showing itself as a major bridge between Asia and Europe and, finally, to increase its trade quantity with India as it sees India as a huge potential market for its hydrocarbon as India depends hugely on the hydrocarbon imports.

Subsequently, to Russia and other partner nations, INSTC presents a collection of transport and financial connections and offers a wide range of interactions in the political arena. To say the least, it is not an exaggeration to say that INSTC is a complementary project of Russia and its allies to expand their reach. As a result, in Moscow's opinion, INSTC is a promising macroeconomic structure that is linked to a wide range of related industries, which includes the downstream areas like electricity infrastructure, communication, and the travel industry.

The main advantage of the corridor in opposition to other routes in which Russia has a stake is its efficiency in reducing the transit time, especially when compared to the Suez Canal route. For some countries, the corridor also reduces the time by around 10 days, for example, like between India and Russia. It additionally offers the financial advantage of utilising a “trans-Caspian multimodal course”, which has been sabotaged by the work of different multi-purpose trade routes. Also, INSTC will play a very important task to carry out the advancement in Russia’s neighbouring regions. The Volgograd Region²¹ is a valid example. Also, the corridor will connect it to India within 16-20 days, and that too at competitive rates, which will be very beneficial from Russia’s trade perspective.

5.5 Challenges

INSTC has not grown to its potential, and if it had, it would have been very fruitful for all the nations engaged in it. The gaps which are not letting INSTC grow at its potential are first, the private sector’s participation in the corridor is not wholehearted. There are certain reasons for this, like the US sanction on Iran, which made this project risky for Multinational Corporations (MNCs), and also, many private players think that the project is not economically viable, which further accentuates them not to invest and, therefore, the risk prevents these MNCs from entering the project. Other reasons include corruption and inefficiency from the side of bureaucrats.

Secondly, a lack of digital advances is deterring the INSTC from arising as a main international corridor that will completely take into account the requirements of different actors.

Thirdly and most importantly, the scope and reach of the corridor is limited.

Points to be addressed to make INSTC more economically viable

1. Rail freight versus maritime shipping

INSTC’s economic potential will be aided by a consideration of the first essential. About 90 percent of global trade at the present time passes through “sea lanes of communication”; as a result, transportation corridors can be used to supplement sea shipping in order to maintain roads and rail tracks economically viable.

The Global Times announced in May 2016 that the global shipping industry was facing a supply glut, causing businesses to slow down ships in order to save money. Transportation

²¹ This region lies in South-west Russia along the left bank of the Volga river.

through overland routes was becoming more feasible compared to sea routes because of the time-taking nature of the sea routes. As the longer the product stays at sea, the management cost of inventories rises, and the shelf life of the product falls. Considering this against the backdrop of the 2016 report of the Economist, wherein it was stated that the international shipping industry experienced its worst recession in three decades on account of the decline in the volume of trade. But inspite of the increasing feasibility of overland transportation routes supported by the lower inventory prices and the benefit of timely delivery of goods, its competitive advantage is undercut by the lower rates offered by the shipping industry, also at a time of declining demand. As a result, shipping via oceans is still about five times cheaper than the road movement.

It is supposed that the entire network of transportation corridors, including the rail route network of the Belt and Road Initiative, may account only for about one to two percent of the overall freight traffic. INSTC, in its present form, will apparently service a lower proportion of the container traffic. As per recent estimations, the volume of trade (container) expected in its first phase will be between 4-10 million tonnes per year which going forward, might increase to be in the region of 25-26 million tonnes per year.

This estimation of a lower trade volume will motivate the members of INSTC to seek other commercial avenues to utilise the corridor. It might be possible to develop the corridor as a backbone along which local businesses and manufacturing might thrive. Thus, the corridor might act as a conduit of growth. This growth will be both commercial and substantive and can be achieved through the establishment of SEZs and industrial parks in areas/industries of mutual interest, such as pharmaceuticals and agriculture. Nodal logistics centres at the local level act as an appendage to the INSTC and are a reasonable bet.

2. Type of goods

The types of goods that are to be transported must also be considered while evaluating the viability of the INSTC. Railroads are advantageous because they are flexible both in terms of cost and time. Supply chains are evolving and are increasingly being shaped by the forces of changing nature of demand and supply. People now expect high-delivery speeds even when orders are small, which is made possible only through an increase in the frequency of dispatches. Delivery of perishable goods can benefit since they have to be shipped quickly and cheaply. One finds that this process has already begun, and the first container carrying perishable goods is already finding its way to Astrakhan across the Caspian Sea.

From the total volume of fruits and vegetables exported from India, more than half is destined for the European Union²². INSTC route can allow India to cater to the European market of perishable goods like meats, seafood, and food grains with a competitive edge. Railways are also a feasible mode for goods whose demand is inelastic²³.

Products with greater value, such as 3D printers, heavy engineering equipment, large-scale industrial machines, etc., are also exempted from the delay caused due to availability of bulk transport.

The expansion of China's infrastructure connectivity projects towards the West is also driven by the strategy based on its transformation from a manufacturer of low-value products to a producer of high-end products. This is not true for the INSTC and its constituents. In the case of India and its trade with Russia and other CIS countries, it can be seen that the major items of trade continue to be primary products and low-valued manufactured goods. But on the other hand, pharmaceutical goods are the most exported commodity from India to Russia, which is an indication that the groundwork to support India's investment in the manufacturing of high-end goods already exists. In this regard, on the back of Russia's deteriorating relations with the West, India's Commerce Ministry gave impetus to the export of those commodities that Russia had earlier imported from the nations of the West, i.e., largely the US and the European Union. Vehicles, ships, and satellites, as well as optics and electrical equipment, are examples of higher-value-added products. The use of the INSTC will be boosted if the standard of trade improves.

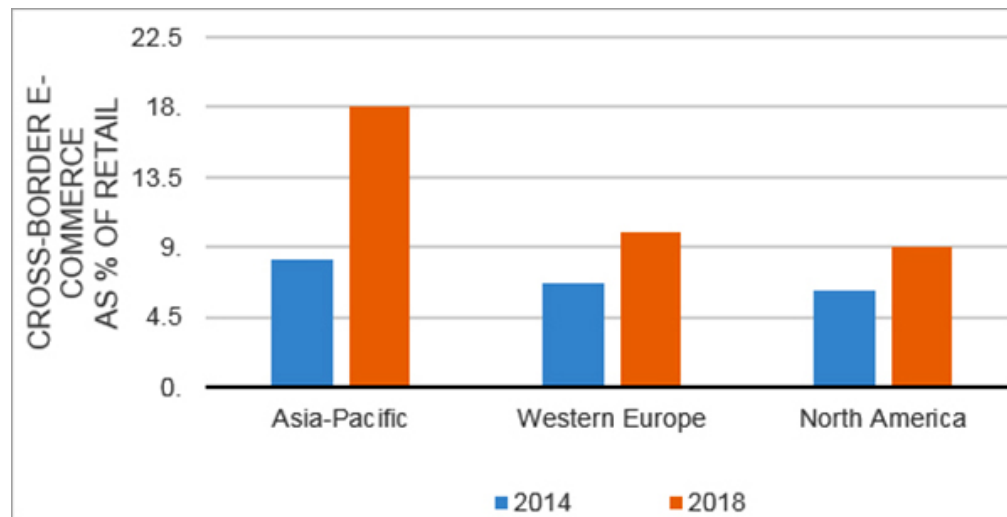
What is even more aspirational is the possibility of the extension of e-commerce delivery through rail channels. In spite of the fact that transnational e-commerce contributes a very small percentage of the total transactions that take place through e-commerce, it has been consistently growing even when the pace of world trade has slackened. E-commerce across national boundaries will continue to grow on the back of the expansion of internet connectivity in regions that are witnessing an increase in the bracket of the middle-class

²² European Union (EU) was formed in 1993 after the signing of the Treaty of Maastricht and it has 27 members. The leaders of Europe realised that large-scale unification was the only defence against the threat of a widespread form of imperialism that had brought the world to the brink of destruction in the First World War and as a result in 1951, European Coal and Steel Community came into existence after the signing of the Treaty of Paris. Followed by European Economic Community in 1957 by Treaty of Rome. And these two became the precursor for the formation of EU in 1993.

²³ Elasticity is defined as the responsiveness of the change in y in relation to the change in x. Elasticity of demand is the responsiveness of the quantity demand to change in relation to the change in price. Inelasticity is defined as when there is change in the price of the product, quantity demand will not change as much, that is, it is not much responsive.

population (Figure 30). In the case of Russia, the value of trans-national e-commerce transactions is experiencing a growth that is higher than their domestic e-commerce transactions. By the end of 2020, the demand for business-to-consumer transnational e-commerce is expected to touch around a trillion dollars.

Figure 30: Cross-border E-Commerce



Source: ORF

International postal services and local businesses that use online services for their work can give a boost to the international business and, therefore, can help the transportation corridor in their operation by becoming viable sources of revenue. With an emphasis on enhancing the local digitisation process (for example, India’s “Digital India” initiative²⁴) and with the future plans towards digital connectivity strengthening in and around regions of the corridor, e-commerce through INSTC has a lot of potential in the coming years. To become a major player, India’s logistics will need to be dramatically expanded. In India, Aurangabad, which is located in Maharashtra, is listed by the government as one of the brightest spots having the most potential to develop into a centre for e-commerce companies.

²⁴ GOI initiated this project and launched it in 2015. Its aim is to provide people the services of government over the internet as well as to boost their access to the internet. In addition, it is intended to allow the country to access and use technology.

3. Energy transportation

Although the infrastructure that is related to energy does not form a major part of the connectivity plan but the infrastructure that is related to the pipeline for the flow of major hydrocarbons can complement INSTC and could be a major part of its future development prospects. These pipelines run along the railway tracks. Shorter distances would have a major impact on the calculations. This is a fact that transporting crude oil by pipeline is usually twice or even three times cheaper as compared to its counterpart railways, and that railways, on the other hand, offer a substantial speed and time advantage. Therefore, it would also play a key role in the development of INSTC is a major infrastructure project in the future. Furthermore, as the railway networks of Iran mature and undersea pipeline talks advance, it is expected that the leaders of the member nations would give some focus to the recalibration of INSTC's total economic value, taking into account all the energy transports network that have the potential to develop in future and the rising demand of energy in the Asia-Pacific region.

4. Non-tariff barriers

Technical and regulatory trade barriers are another criterion that can substantially minimise trade between the countries as well as make the flow of goods between the countries inefficient. Customs, gauge shifts, a lack of IT and digitisation, and single tariff rates are some of the other non-trade barriers that restrict trade between the two countries. On the issues related to customs, the INSTC countries have made some progress by accepting agreements on transit and customs. The “green corridor agreement²⁵” agreement for which both countries leaders are in talks, if enacted, then it will exempt the customs checking requirements of goods when they come from companies and entrepreneurs that are part of the agreement, and will also ease cargo movement at borders.

There are many options for improving cross-border travel that have been implemented, and a lot of steps have been taken to make further improvements. Like, all the INSTC member countries can follow other trans-regional corridors implementation and execution. Some other options that can be considered include-(i) clearance to customs should be given within 24 hours; (ii) for custom declaration, digital technology should be encouraged so that a one-stop solution will be provided for all the checking and clearance purposes; (iii) Green

²⁵ It is a project meant to streamline trade regulations between the two countries.

corridor channel. (iv) special declaration channel for customs; and (v) the introduction of the “declare at home, release at port” model is among them.

International conventions, for instance, “the United Nations trucking treaty TIR²⁶” (formally the “Convention on International Transport of Goods Under Cover of TIR Carnets”), are also choices for expediting cargo movement. Another benefit, as shown by Turkey’s participation in the TIR, is that it will aid in the development of domestic road transport industries competitiveness. Joining the TIR would allow goods from India to travel through the Eurasian landmass through freight containers and custom-sealed vehicles without being subjected to border checks all the way to Ireland (save random ones). Recently, India joined the TIR Convention as its 71st signatory.

India also ratified the “intergovernmental sub-regional road transportation facilitation agreement”. Originally, the agreement was drafted by ESCAP²⁷ in 2014-15, and later, on this line, SCO drafted one for itself and its members. This agreement will help the member countries in the transport facilitation by working and coordinating with all the sub-regional agreements of the member nations. The financial viability of INSTC is boosted by more efficient transportation via common border crossing laws, given that commonality of laws between INSTC and SCO and members will be worked upon. India’s accession to the Ashgabat Agreement²⁸ led to the increased synchronisation of the rules, laws, practices, and regulations associated with the customs in the Central Asian countries.

Another roadblock worth noting is the improvement in rail gauge. This, like customs, is a stumbling block for different inter-border railway lines. For example, the rail gauge’s standard size in China is narrower when compared with the broader rail gauge of Russia and the Commonwealth of the Independent States²⁹. And this leads to difficulty in the movement of the freight whenever it has to be moved from China towards its west.

²⁶ It is a convention signed in Geneva in 1975 to simplify and harmonise international travel regulations. It sets up a foreign transport policy that permits the movement of products with the greatest ease across the world.

²⁷ It is acronym for “United Nations Economic and Social Commission for Asia and the Pacific”. It is a specified agency of UN formed in 1947 to support the economic and development activities in the Asia and Pacific region countries. The objective the organisation is “initiate and participate in measures for facilitating concerted action for the economic reconstruction and development of Asia and the Far East”,

²⁸ The governments of Turkmenistan, Kazakhstan, Iran Uzbekistan, Oman, India and Pakistan signed a multimodal transport agreement to “create an international transport and transit corridor” and ‘to promote goods transportation between Central Asia and the Persian Gulf’.

²⁹ CIS was established officially on 21 December, 1991, and its operations began in January, with Minsk, Belarus, serving as the administrative centre. Russia along with the 11 other republics that were once part of the Soviet Union formed a free alliance of independent nations in 1991. The CIS’s role is “to coordinate policies in the areas of economy, foreign affairs, military, immigration, law, and environmental protection”.

Furthermore, all this freight has to be moved using the cranes between the tracks with different widths, which is more complicated with containers. Despite the fact that the time it takes to move a container overland is at least half that of transporting a container by sea, there is still room for development.

Also, in Iran, all the goods have to be moved with the help of railway lines before getting shipped to the different sets of Russia's railway tracks which is across the Caspian Sea, to a new set of rail tracks in Russia. As there is a difference between the railway gauge in Iran and former USSR, this means the INSTC will have to deal with breakage issues as well. To make switching from one railway track to another easier, it has been envisaged to build combined railway terminals with gauge changing facilities at international borders. The ground reality that Iran sits at the intersection of the INSTC and China's BRI makes the discussion geopolitically sensitive.

Iran has a lower number of railway tracks as compared to the United Kingdom, a nation seven times its size. After the UN sanctions were lifted, European firms, as well as Russia and China, have expressed interest in assisting Iran in modernising and extending its railway system.

5. Financing and returns on investment

Funding is yet another important issue that influences the economics behind the INSTC project. Among all other things, the funding will be secured by keeping all the calculations in mind, like, the expected rate of return on investment.

Rather than depending solely on one actor, various stakeholders finance different parts of the transportation corridor and other complementary routes. For example, the important part i.e., missing the Rasht-Astara railway, which connects Azerbaijan and Iran, will cost around \$1 billion, with Azerbaijan providing \$500 million via a loan. Iran and Azerbaijan are now searching for a way to protect the remaining funds. Another player is the Asian Development Bank³⁰, which will include a \$200 million loan for the building railway link in Russia, known as the Baku-Yalama rail link. Other example is of the Kazakhstan-Turkmenistan-Iran railway link, where the funding is received from the Islamic

³⁰ The Asian Development Bank (ADB) was found in the early 1960s with the goal of fostering economic growth and increase collaboration between the country in one of the world's backward and poorest regions. This cooperation was held for the first time in 1963. Now, the organisation has membership of 68 nations, with 49 are from the Asia and Pacific region and remaining are from other areas. It mainly supports agriculture, food production, and rural development. It is headquartered in Manila, Philippines.

Development Bank and ADB. If these two organisations had not helped, these three countries would have supported the project, which might lead to the delays. Also, an investment of \$500 million will be provided by India in the Chabahar port in the form of a line of credit to help to construct berths at the port.

The countries that are not a member of INSTC will reap indirect benefits from the corridor. So, it will be a good move to engage such countries so that there will be efficient enforcement of the transport corridor and it will attain its full potential, as demonstrated by Japan's involvement in investing in the Chabahar port.

Even though a large number of countries, as well as international organisations, are participating in the corridor, a slow movement of funds could be a significant stumbling block. This is a major concern, considering that the countries concerned are searching for foreign investment and are trying to balance several priorities at the same time. Interestingly, Russia continues to have sanctions, though it is a matter of debate how much its businesses are impacted in general and the economy in particular. But still, building such a vast infrastructure line needs a substantial amount of investment, which might not be easily accessible in times when the global economy is going through an economic slowdown—paradoxically, the same restriction that these corridors aim to remove.

Conclusion

The major aspect of this project is its potential to include many interested countries of Central Asia, the Caucasian region, and Eastern Europe. It is no hidden fact that there is a lack of investment in the Caspian region regarding the port and rail infrastructure development. Other bottlenecks like abuse of this route for drug trafficking, smuggling of weapons, and militarisation of this region are there which need to be addressed.

The pace of development of this project has been slow, which shows the difficulty in the execution of such large-scale projects. Despite setbacks, the project is expected to link fully in a few years. A big challenge before members is sustaining the process which has been achieved in the past few years. Since Iran, Russia, and India are three big staunch supporters of the project, a greater share of responsibility lies with them.

This project must be seen as a broader attempt at connectivity and to create as many transport and trade opportunities as possible. With increasing connectivity, the growth prospects of trade and investment between countries of India, Russia, Central Asia, and

ASEAN³¹ will be huge. Both Russia and India know the potential benefits INSTC entails for them and are committed to this project. At this moment, trade between the two countries is below expectations and both countries want to attain a new high in bilateral trade, which enhances not only their economic cooperation but also their security and political cooperation.

The International North-South transport corridor shows India's willingness to engage with other countries in the areas of trade and investment along with strategic and political interest. It is India's strong push for its 'Act west policy', which is driven by tangible actions. The operationalisation of this corridor is a great event in India's multilateral engagements with other countries and shall surely propel her to execute similar kinds of projects on a larger international scale with a benign outlook and greater future economic prospects. On the same line, Russia also drives a lot more profit from the project. Not only can it maintain its close eye on its backyard, that is, Central Asian countries, but it also can take benefit of economic opportunities that come in its way.

5.6 INSTC Importance in Enhancing Economic Ties for Russia-India

The corridor comprises two parts for India-one going north to Russia and allowing India access to Russia's massive mineral and forestry resources, and the other going west through Iran, both achieving identical energy goals and preparing the way for a path into Europe. It will boost Russian-Indian bilateral trade. A bilateral investment fund was established where the funds was invested by India's "National Infrastructure Investment Fund (NIIF)" and "Russia's Direct Investment Fund (RDIF)" which shows that the two countries have already established financial investment ties aimed at facilitating high-technology investments in the corridor. It is suggested that to take the advantage of this trade corridor, logistics and allied transportation industries in both nations should consider establishing operations in either Russia or India.

³¹ Five leaders of Malaysia, Thailand, Singapore, Philippines, and Indonesia sat together in Bangkok, Thailand in 1967 to sign a document. Establishment of the "Association of Southeast Asian Nations (ASEAN)" took place because of the signing of that document. It supports economic, security, political, military, cultural, and educational cooperation of its members within themselves as well as with other Asian countries also. The major goal of ASEAN was "to speed up the economic growth of the region and with the aid of this growth, spur the social and cultural development as well". "The promotion of regional stability and promote the peace governed by the rule of law are the main tenets of its charter".

INSTC will be very helpful for India to boost its trade and investment with Russia as the route is 40 percent less in length and 30 percent less expensive as compared to the routes that India is currently using (figure below).

Figure 31: India’s Traditional Trade Route with Russia



..... Previous Route (Transit Time 40 to 60 days)
 ---- INSTC Route (Transit time 25 – 30 days; 40% shorter, 30% cheaper)

Source: Ministry of Commerce and Industry, India

India depends heavily on imports of hydrocarbons to meet its domestic demand. India has the 4th largest demand for energy in the world. India can use this route to import gas and oil from Russia, which can further boost the trade between the two.

Currently, the freight traded between the two countries travels either through the Rotterdam port of the Netherland or through the Qingdao port of China, and it is quite inefficient as it takes more than 50 days for the movement. However, INSTC will bring this travel time down to around 16-21 days. So, the trade will be enhanced owing to the cost-effectiveness between the two nations, which will encourage India to import as much hydrocarbon from Russia in order to increase its profit margin. India and Russia had set a target to increase their bilateral trade in the upcoming ten years to \$30 billion from the present figure of around \$7 billion (as of 2016), and this target is achievable if both countries will take the corridor seriously. Also, the trade and investment figures are revised to \$50 billion to be achieved by 2025. In the light of this, INSTC can prove to be significant tool to achieve the target.

5.7 Eurasian Economic Union (EEU)

All kinds of geopolitical integration lead to growth and development, and the setting up of the EEU is seen as a positive effort to enhance the economic prosperity among the post-Soviet nations. In December 1991, the leader of the three Soviet states of Ukraine, Russia, and Belarus mutually decided to leave USSR, and establish CIS as an initial measure towards a deeper connection in the arena of economics and politics. However, in the end, the CIS was ineffectual and of no real use, marked by an absence of mutual trust and honest commitment between the governments who are in the midst of local geopolitical conflicts, ideological and political disputes, and as a result, disputes emerged between the member states. From then on, efforts have been made to build a regional coalition of this kind with a tighter and more particular focus. One such attempt led to the emergence of a “Free Trade Area” which was created in 1994 and composed of Russia, Armenia, Moldova, Belarus, Kazakhstan, Uzbekistan, Georgia, Tajikistan, Kyrgyzstan, and Ukraine. However, because Russia refused to ratify the proposal, it never came into force.

After that, in another attempt, in 2000, “Eurasian Economic Community (EurAsEC)” was formed by the government of Kazakhstan, Russia, Tajikistan, Kyrgyzstan, and Belarus when they met formally in Astana, Kazakhstan. It was created to enhance trade, financial, and economic cooperation between the members. The final goal was to create Custom Union (CU). But this attempt also failed. In 2006 Belarus, Kazakhstan, and Russia launched a novel CU proposal. They pledged to build a uniform code to bring in place the new national laws. Then, officially in 2010, it led to the establishment of the CU. Finally, in 2012, an agreement was reached between the three countries to coordinate the broad arena of the internal economic policies, which covers trade aspects as well. This finally led to the establishment of “Eurasian Economic Union (EEU)” in January 2015. Therefore, after operating as Custom Union for four years, it finally transformed into an Economic Union.

The thoughts and suggestions for establishing an EU-styled Eurasian Union were first introduced by the President of Russia, Vladimir Putin. Critics considered the EEU’s establishment as an initiative of the Russian government to fast-track the pace of bringing together the regional countries towards the goal of building a multipolar world. The same opponents also believed that the EEU is counterbalancing China’s economic impact and penetration in Central Asian markets in East and EU in the West. So, EEU was seen as a newbie in the forums promoting regional integration. It was premised to be a long gestation plan for the member economies. The creation of EEU was proposed to assist the member

nations in enhancing their intraregional economic links, to modernise their national economies, and to provide an environment that enhances their global competitiveness. It was mainly centred as a single market for different goods and services and factors of production like labour and capital.

EEU is different from its former predecessors in many areas. Moreover, it not only supports a free trade area, but along with that, it tries to create a common import tariff for all the countries that are not signatory and make sure that product quality is homogeneous. It comprises a codified set of laws, rules, procedures, and regulations. A number of the structures and bodies necessary for efficient implementation and policy execution, modelled after the EU, have been formed. Hundreds of public officials and regulatory frameworks are in place to take care of the free flow of capital, products, and labour among the member states.

Kyrgyzstan joined the union on the very next day, and Armenia joined it half year later. Armenia is the only EEU country with no border with the other member states.

Figure 32: Members of EEU



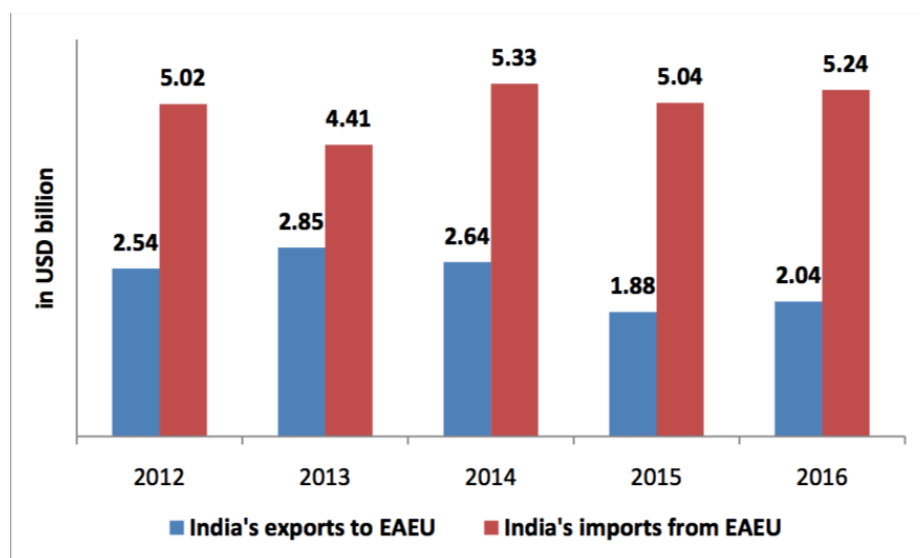
Source: CCIS

5.8 India and EEU

India-EEU bilateral trade has stayed almost constant. It has shrunk to \$7.3 billion in 2016, from \$7.6 billion in 2012. Of this, India's overall exports of \$2.04 billion (2016) to EAEU member states were also not that large. It is only a small portion of the total exports. Out

of the exports, the highest is with Russia amounting \$1.82 trillion, followed by Kazakhstan's \$125 million, Belarus \$42 million, Armenia's \$31.6 million, and Kyrgyzstan accounts for \$26.6 million. When imports are taken into account, of the total of \$5.24 trillion (2016), Russia accounts for the highest with \$4.8 billion, followed by Kazakhstan with \$320 million, and Belarus with \$136 million.

Figure 33: India-EEU Trade



Source: PHD Research Bureau

It can be seen from the below table that India's trade is very low with the EEU countries except for Russia and Kazakhstan. Also, within the forum, India runs a trade deficit with all the countries except Belarus and Armenia. So, FTA with EEU can be very beneficial for India as it can increase exports with the countries on account of relaxed trade laws and can work to reduce its trade deficit.

Table 10: India-EEU Country-wise trade

EAEU Group (in USD Million)		2012	2013	2014	2015	2016
Russia	India's imports	4602.156	3814.12	4207.629	4527.091	4782.005
	India's exports	2144.766	2418.963	2217.473	1611.893	1813.884
Kazakhstan	India's imports	163.994	441.841	924.993	337.545	320.361
	India's exports	262.961	275.732	237.906	168.372	125.026
Belarus	India's imports	252.514	151.595	198.927	162.15	136.269
	India's exports	56.684	58.197	51.09	34.251	41.86
Armenia	India's imports	2.297	0.648	0.486	1.582	1.808
	India's exports	42.107	63.211	95.889	37.063	31.64
Kyrgyzstan	India's imports	1.671	0.677	1.856	14.453	1.339
	India's exports	31.959	37.24	36.036	29.861	26.62

Source: PHD Research Bureau

According to the data from the Directorate General of Foreign Trade (DGFT), exports to the five EEU member nations from India totalled \$1,539,617 million, while imports stand at around \$5,759 million, demonstrating that the Eurasian market has a lot of room for Indian products. However, a fundamental weakness in New Delhi's economic ties with the Central Asian Republic and the Commonwealth of Independent States is a lack of direct and controlled access to the region's markets, which this FTA would quickly address.

Experts believed that increasing FDI into Indian enterprises would help to alleviate the economic downturn which Indian economy might suffer from. Simultaneously, the government is attempting to relax and expand its FDI laws. Foreign investment in India's technology, defence, infrastructure, and energy sectors would also benefit from signing the FTA. India's growing reliance on EEU members for mining equipment, chemical products, and cars to meet its security, energy, and infrastructural needs necessitates for the further cooperation, particularly to advance its Make in India effort.

Secondly, countries that are part of the EEU are the major resource-rich countries especially, hydrocarbons, and are the net exporter of the same. On the other hand, India is one of those hydrocarbon net importers. So, signing FTA with EEU can be very beneficial for India as it can have greater market access for its hydrocarbon imports.

If India's economic integration is actually measured, then it is found that it is closely integrated with the countries which are located in its close vicinity, and this includes countries of South Asia, South East Asia, and Oceania. South Asian region is centre of attraction because of the historical, cultural, and geographical closeness, whereas South

East Asia and Oceania were given focus because they were the major area of focus under the Look-east policy. Further, it became essential to assess a broader framework for collaboration whereby India can become a business hub because of its strategic location on the world map, which links it with many other regions of Asia that were earlier not in the focus, and these regions includes South-East Asia, Oceania and south, Central and West Asia. Recent initiatives like “Make in India”, “Skill India,” and “Digital India” aid this purpose very well. Signing FTA with EEU might become an instrument for effectively utilising India’s bright spot in the demographic dividend. This dividend has the potential to generate massive profits if India successfully integrates its economy with other regions of Asia. Furthermore, India still has not given sufficient focus to these region’s economy, and this region bears the huge potential to utilise India’s massive demographic population. So, EEU can become a detrimental factor in increasing the integration with these economies.

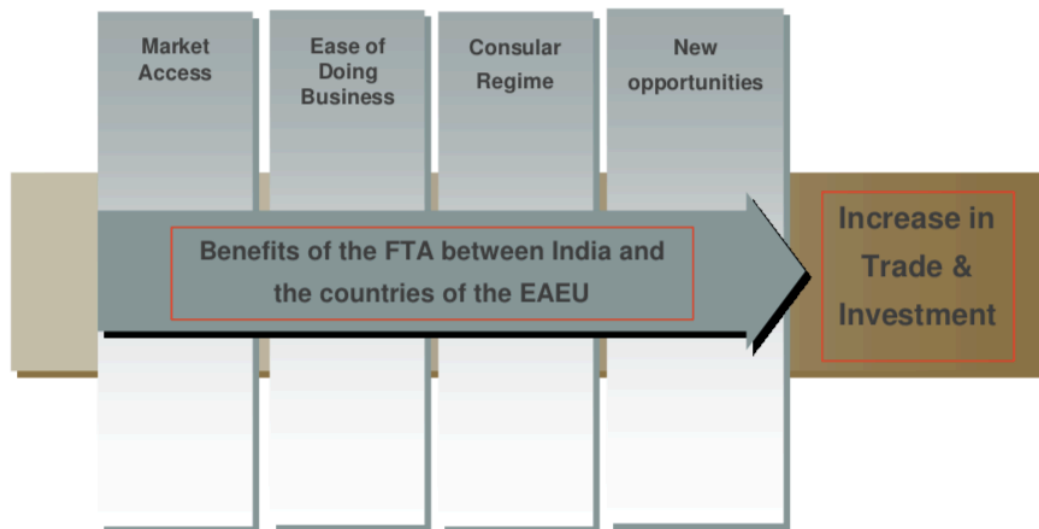
The tourism industry is a vital engine for promoting country’s economic prosperity through its backward and forward linkages, and the same is true for India. Given its huge and diverse geographical area, India has huge potential for tourism. Also, one of the seven wonders of the world i.e., Taj Mahal is located in India, which further accentuates its tourism potential. In addition to this, India has thirty-five world heritage sites, ten biogeographic zones, and twenty-six biotic provinces. So, given all this, it can be easily concluded that tourism can become a fundamental sector and can play an important role in encouraging inclusive growth and poverty elimination.

The sector has a great capacity to provide large-scale employment of different kinds, i.e. from the most specialised to the unskilled. Tourism is an important producer of employment-78 jobs are created per \$1 million spent in the tourism sector. Tourism, after jewellery and ready-produced clothing, is the third largest foreign exchange earner. In the development of a nation, the tourism industry plays a crucial role. Tourism forms the major part of the services sector and thus GDP. A prospect of an FTA might open up new chances and competition in the home economy of India and Eurasia, cut prices for producers and consumers, and move production factors to greater efficiency based on strong complementarities. Tourism potential is the notable essence of the Eurasian Economic Union.

“Connect Central Asia Policy” as conceived by the government of India in 2012, reflects the country’s desire to build up its ties with the regional countries. India, under the policy, pledged to assist the Central Asian Countries in the establishment of hospitals, universities,

IT centres, and telemedicine, as well as by venturing together into the commercial arena. Focus is also given to improving the connectivity with the region in order to facilitate trade, scientific research, and security partnerships. So, FTA along with different policies framed by the Central government will lead to improvement of economic relations between Russia and India.

Figure 34: Benefits of EEU



Source: FICCI Survey Report

5.9 Effect of India's Pulling out of RCEP³² on EEU

The idea of RCEP was conceived during the ASEAN 19th annual Summit that was held in 2011, and serious talks for the FTA began in 2012 in Cambodia during the 21st annual ASEAN summit. It is considered one of the most important trade agreements as it accounts for one-third of the total of the GDP of the world, and half of the world population.

The objective with which RCEP was conceived was to create an integrated market between the member economies so that the goods and services could move freely. RCEP mainly focussed on these areas-

- a. Trade in the goods and services

³² It is an acronym for the Regional Comprehensive Economic partnership. It is "Free trade agreement" which is signed between ASEAN and its six partners with which ASEAN has FTA that includes India, China, Australia, New Zealand, Japan and South Korea. It was conceived to remove almost 90 percent of the tariff on the imports between the member countries.

- b. Intellectual property rights
- c. Investment
- d. Dispute Settlement mechanism
- e. Economic cooperation between the nations
- f. E-Commerce
- g. Small and medium enterprises

In November 2019, when voting was done for the agreement, India decided to pull itself out of it despite being a member of the drafting committee. The government decided to back itself out to safeguard the interest of domestic industries, particularly dairy and primary products. Also, India's external affairs minister of the time S. Jaishankar stated that India's decision was the direct result of the "clear-eyed calculations" where India measured all the costs and benefits of entering and came to the conclusion that it would be better not to join the agreement.

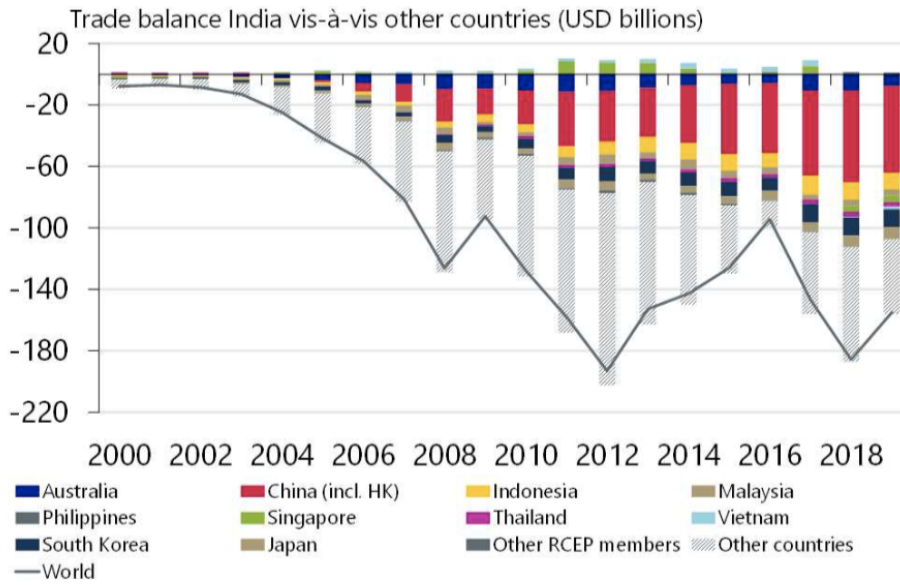
5.9.1 Issues Encountered by India During RCEP Negotiations for Finalisation of FTA

Access to the market: The RCEP did not have any clear arrangements or agreements on the market access issues for the countries such as China, as well as the non-tariff barriers imposed on Indian firms.

Trade Deficit: Out of the 16 member partners of RCEP, India holds a trade deficit with 11 of them in the fiscal year 2018 itself. Also, the trade deficit of India with these 11 countries has nearly doubled in next two years. It rose to about \$105 billion from \$54 billion from 2013-14 to 2017-18. Out of this deficit of \$105 billion, more than half, i.e., \$52 billion deficit, is only with China. So, it can be concluded that China accounts for the majority of India's trade deficit with these 11 countries.

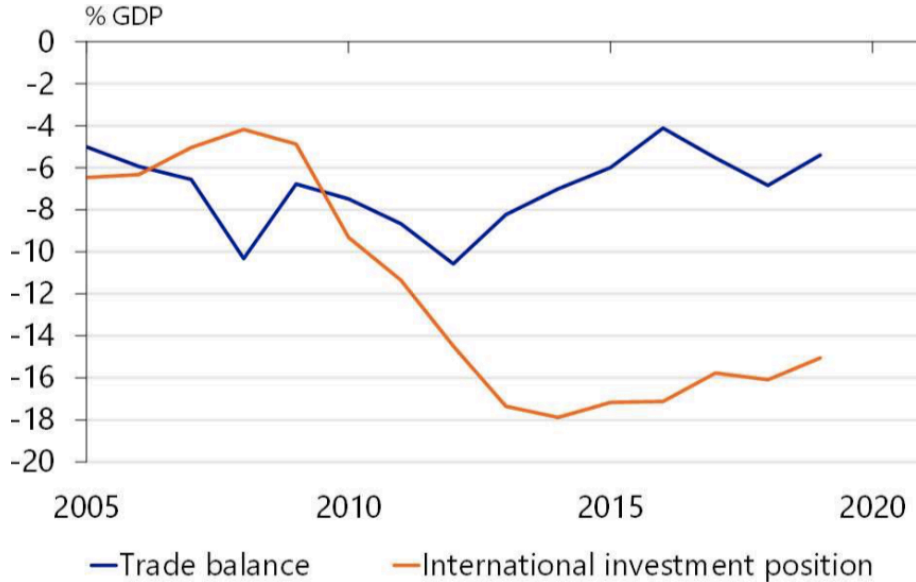
India's trade deficit is highly responsible for its weakened position in the external markets. This argument is supported by two figures shown below.

Figure 35: India's Trade Deficit Over Past 20 years



Source: IMF

Figure 36: External Weakness of the Indian Economy



Source: IMF

Auto-trigger mechanism: Auto-trigger mechanism is a special measure where if the import of a particular good rises suddenly, then after a certain limit, a country can bring in certain measures to safeguard its domestic producers or manufacturers. Member countries did not agree with India to put in place such countermeasures.

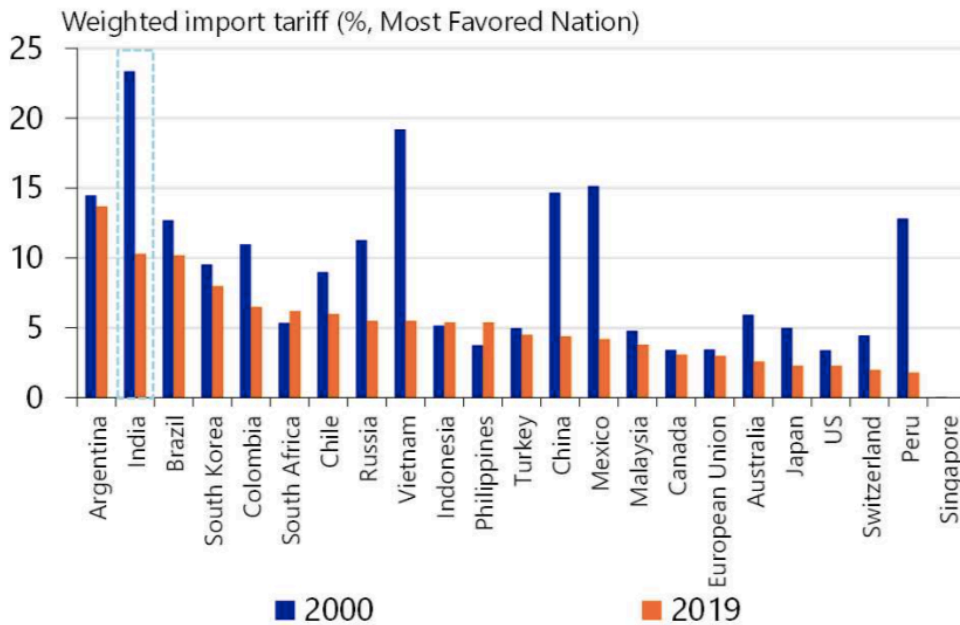
MFN clause: Most favoured nation clause implies that if one nation is providing any privilege or immunity to other nation, then it should provide the same to all the members of WTO. It was introduced to maintain equality amongst the member of the organisation. So, India wanted RCEP to omit MFN obligations from the chapter dedicated to investment because it didn't want to dole out the crucial benefits that it only grants to its strategic partner countries. Along with this, sometimes, because of geopolitical reasons, i.e., when a country is in the border conflict with other nations, it does not want to provide equal opportunities to all the countries.

Exposing its sensitive sectors: It is of prime concern for India that if it signs the agreement, then it will become obligatory for India to extend the benefits in its critical sectors to all the member nations. Furthermore, defence is one of the critical sectors for India where after the signing of the agreement, all the members can interfere.

Country of Origin: If India signs the RCEP agreement, then it means that some nations will try dumping their products in India by moving the products to the country with which India has signed the pact, perhaps circumventing India's rules of origin criteria for determining the national source of products. It will overcrowd the Indian market with undesired goods at cheaper rates. Furthermore, this will negatively impact the manufacturing class of India.

Reductions in the tariff rates: Under the negotiation terms of the RCEP agreement, India was obligated to eliminate the tariff rates on the goods that are coming from New Zealand, China, and Australia. Furthermore, these goods constituted around 70 percent of the total goods from RCEP countries. Along with this, tariff reduction of about 90 percent of products also becomes obligatory for India if they are coming from Japan, South Korea, and ASEAN. Imports to India would have been cheaper as a result, and it will greatly harm its own domestic manufacturers, which will not be good for the economy in the short run as well as in the long run. It can be seen from the figure below that even when India's tariff rates came down to a very low level when compared to 2000 but still very high.

Figure 37: Tariff Rates Across World Economies



Source: Rabobank

Previous Experiences: In 2017, the NITI Aayog produced a report stating that FTA had failed to benefit India.

It looked at the data and figures from the number of FTA's that India in the last ten years has signed with the countries. Like, FTAs with Malaysia, Sri Lanka, South Korea, and Singapore. By analysing all the collected data, Niti Aayog, in its report, concluded that--

- a. From the exports and imports data, it can be seen that imports in the last ten years from these nations have continuously increased whereas exports were on a decline and have not followed the same trend as imports.
- b. India's FTA utilisation has been very low, ranging between 5 and 25 percent.

Plantations sector: Amongst all the members, Indonesia and Vietnam particularly offer these crops at a very cheap price. For example, rubber. So, this will impact the plantation sector farmers.

Dairy Industry: In the world, the second position with respect to milk and its products exports, is held by New Zealand. The milk producers in New Zealand are more efficient than the small dairy farmers in India. Along with New Zealand, Australia is also waiting for the opportunity that India will sign RCEP, which will grant them free access to their

dairy products so that they both can reap the maximum benefit of such a populous country and the market.

Services trade: India always stood in favour of the position that all nations should allow services and labour movement across the border. Similarly, under the RCEP agreement also, India strongly advocated that if India opened its market, then other nations should also allow the movement of these goods. Any agreement on goods trade without a concurrent investment and services agreement will be detrimental to the interest of India's economy.

5.9.2 Reasons for Why India Pulled Herself out of the Agreement

The China Factor: Tensions between China and India escalated continuously after a gap of some years, like 1962, 1987, 2020, etc., and also China practices economies of scale in the production of substantial amount of goods. This makes Chinese products cheaper compared to other nation's products. Therefore, India doesn't want to entertain Chinese exports.

On the other end, China holds the centre position in RCEP trade agreement, and if the FTA is signed, then it would have become difficult for India to avoid the Chinese products flooding the Indian market. Furthermore, if the consumers were getting the products at lower prices, then their dependence on Chinese goods would increase, which India does not want. India always tries its best to find other alternatives to avoid such situations. Signing the agreement now will mean that India itself is opening the doors for the cheaper Chinese products. So, India decided to back out.

Made in India: India, in order to achieve its goal of becoming an Atmanirbhar Bharat, must protect home industries by tariffs. India may be forced to make concessions on this front if it joins RCEP.

India's Recession: In the present time, India is experiencing a phenomenon called 'Technical Recession³³,' and also, the rate of unemployment is rising to a new high, boosting domestic businesses is very critical to overcome the issue.

Already existing Free Trade Agreements: According to some experts, the RCEP makes little difference because India already has signed FTAs with the member nations of the

³³ When a country is caught in a recession for the two consecutive quarters i.e its GDP is continuously falling for the two quarters back to back.

ASEAN group and CEPAs³⁴ (“Comprehensive Economic Partnership Agreements”) with South Korea and Japan.

Clarity in strategic vision: India has a very clear strategic vision which appears apparently from the fact that India refused to join the China-centric RCEP. But it raised argument that only because of one country, India didn’t sign the agreement, but there are several other nations present in FTA with which India shares good friendly relations. So, this gives a signal that India ignored other nations in the agreement. The Indo-Pacific idea, as well as the Quad, will be affected by this step.

After India pulled itself out from the RCEP, it seemed that India will join EEU as it is the next FTA with which India is in talks. EEU will provide Indian manufacturers a market for its approximately 173 million of population. India’s deal with EEU seems more apt because the domestic producers will not lose their control over the domestic market (which is the biggest fear with RCEP), and also get access to the markets of Russia and Central Asia. Along with this, none of the EEU members follows the policy of dumping as China do, so it is a safe play field for India. After RCEP failure, EEU emerged as the bright spot for the Indian government, and might be a deal will soon be signed.

According to some experts, India’s withdrawal from the pan-Asian free trade agreement led by China was mainly because of New Delhi’s mistrust of China’s role, which developed from the concern that cheap Chinese goods will flood Indian markets and baffle Indian enterprises. This fear also developed due to China’s lack of investment in the Indian industries, which runs counter to Beijing’s interactions with India’s other neighbours, such as Pakistan and Sri Lanka, as well as countries from the other parts of the world. However, the very same domestic Indian traders seemed to be more relaxed in doing business with Russia or other members of the EEU, as the EEU is not that powerful to damage Indian manufacturers hold in the domestic market while it is also providing its investment and market access.

5.10 EEU as an Engine in India-Russia Trade Relations

Amongst all the members of the EEU, Russia is the one that is lobbying hard with India to join the free trade pact with the EEU, which according to some experts, would be a “great fit” for both the nations. EEU-India agreement is part of Moscow and New Delhi’s plan to increase their bilateral trade to the level of \$50 billion by 2025. For the first time since the

³⁴ It is a form of free trade agreement between the two nations.

collapse of the Soviet Union, experts believed that such a deal might help Russia reassert itself as a key commercial partner for India.

Alexey Kupriyanov, a senior fellow of “Russian Academy of Sciences Institute of World Economy and International Relations”, in one of his lectures, stated that India and Russia share an excellent political connection, but they need a regular economic footing. This common footing could be provided by EEU. He drew the above conclusion by providing the example of Vietnam. Trade between Moscow and Hanoi increased significantly in the years after the EEU and Vietnam inked a trade agreement. So, in this light, Moscow and New Delhi might see the boom in their economic relations, which both countries are eagerly waiting for.

Exporters of beef and dairy goods, which are subject to tight Russian regulations but account for the majority of exports from India to the Russian region, would benefit the most from the FTA. Oilseeds and non-basmati rice also have been allowed to be exported from India to Russia since the inception of the EEU, and in addition, Indian firms have been allowed to sell egg powder to the member countries in EEU.

Furthermore, a lot of non-tariff hurdles exist in Russia for Indian pharmaceuticals, as well as time constraints are there for the implementation process, registration, and the certification given by Russian officials, delaying the supply of these particular items. The CIS nations have taken notice of India’s growing credibility in healthcare and pharmaceuticals. So, FTA with EEU would allow them to tap into the pharma industry’s vast economic potential. Particularly, India will get the benefit of Russian markets as then the delays will be cut to the minimum. Duty reductions from an FTA or CEPA will assist Indian textile exporters as well, making Indian products more cost competitive in the area.

As a result, an EEU FTA with India makes a lot of strategic sense. Indian companies could sell tea, generic medicines, grapes, canned vegetables, raisins, coffee, rice, and coffee extracts, and related consumables such as herbs, spices, and essences. Russia is India’s largest trade partner among all the members of the EEU. And because of the FTA, a lot can be improved as many tariffs will be removed between the two, and commodities can move to and fro easily.

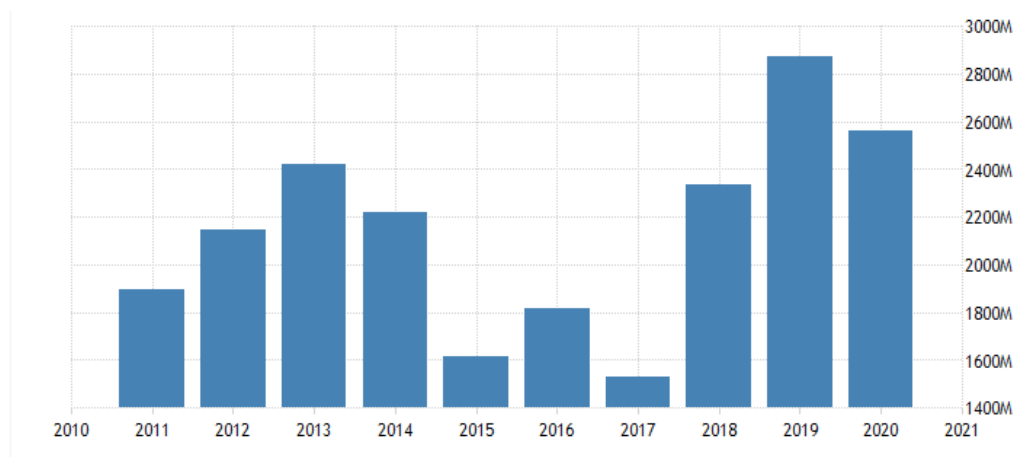
If the data over the last few years is observed, then it can be concluded that bilateral trade has grown between the two countries, but it still falls short of its latent potential. India is looking for gas and oil supplies market and has been purchasing LNG from Russia’s Arctic

Yamal project. Numerous economists concluded from their study that India and Russia should broaden their trade basket outside the traditional areas if they want to make maximum advantage out of the deal.

Indian Trade with Russia

India's exports to Russia are on the rise, and this trend will continue if an EEU FTA is signed. If that is the case, it is good news for Indian manufacturers of rice, generic medications, canned vegetables, coffee and its extracts, grapes and raisins, and allied commodities like herbs, spices, and essences.

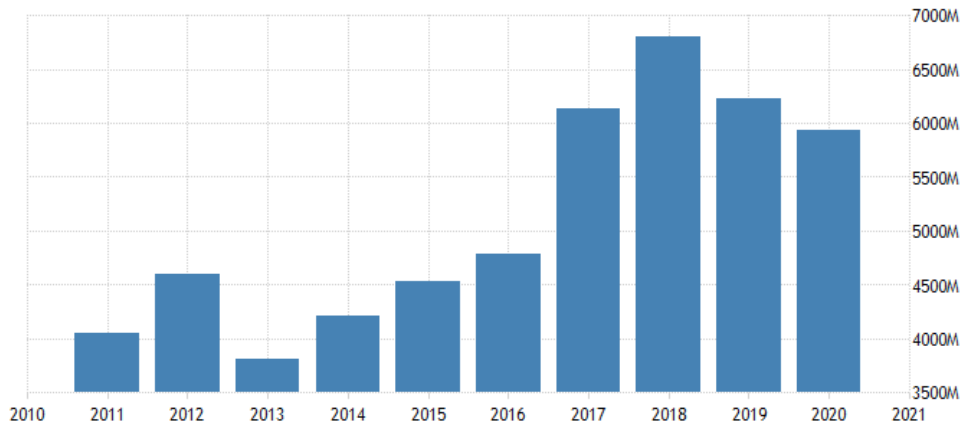
Figure 38: India's Export to Russia



Source: World Bank

On a similar line, after the signing of the FTA, India can reap the benefit of Russia's comparative advantage in certain goods from an import perspective.

Figure 39: India's Import from Russia

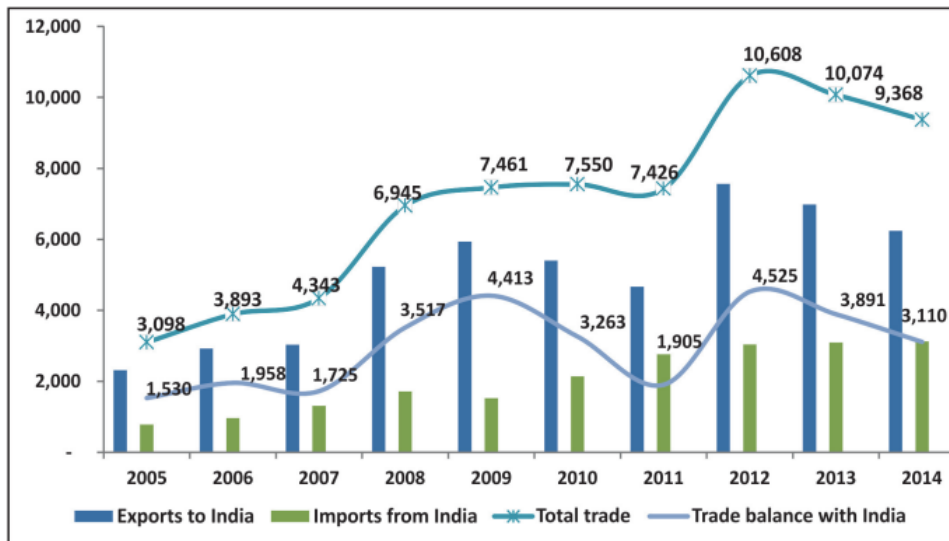


Source: World Bank

Russian trade with India

Both imports and exports from Russia have increased three-fold, and there is a hope that if the FTA is signed between the two, trade between both countries will see a rise.

Figure 40: Russia-India Trade Trends



Source: Trade map, ITC Geneva

From the strategic viewpoint, Russia has always been troubled about the external influences or powers that try to influence the region. However, this concern has traditionally been directed towards the United States and other Western countries. However, China has grown its foothold in the region as a geopolitical force in a significantly more enduring manner than the US because its ties are economically contingent and not that evident at the military

level. A greater Indian presence in the EEU would assuage Russia's fears by limiting potential Chinese expansion. Other CAR governments have already expressed their concerns about the possibility of a Chinese FTA push, which would be advantageous to New Delhi. So, the stance of New Delhi on forming an association with the Russia-led union would also send a powerful message to the United States, which has imposed a substantial tariff on a number of Indian goods. The primary mutual objective of India and Russia appears to be the displacement of China from Eurasia as the major power.

In the Eurasian region, if India wants to enhance its presence, then closer ties with the EEU can act as a solid mechanism, boost its economy, and potentially diminish the Chinese dominance in the region. If India's FTA with EEU is concluded soon, then all the provisions of defence capabilities of Eurasia and Russia will soon be shared with India. FTA will also help India's economy, which is currently falling short of its FDI targets and experiencing a drop in its exports.

Businesses interested in taking advantage of the opportunity that is present in either India or Russia should discuss all the programmes on market research and business intelligence, which could help both the countries in getting the proper idea of the accessibility and the size of the market in their respective countries and where it must be developed. This FTA will create tremendous chances for Indian enterprises to reach the Russian and Eurasian Economic Union markets, and time should be spent figuring out where the prospects are.

However, the restoration of economic relations is not Russia's sole motivation. Professor Artyom Lukin argued that persuading India to sign a deal with the EEU will help Moscow to enhance the bloc's position by demonstrating that global economic giants take it seriously. While Russia hopes to spark China's interest in the EEU, it aims to keep Beijing at bay for the time being. China reached a trade agreement with the EEU in May 2018. However, it is non-preferential, which means that it does not abolish duties, unlike the agreement being discussed with India. Moscow is concerned that if the EEU eliminates all customs barriers with China, its market will be flooded by Chinese producers. It has no such reservations regarding India, believing that Russian firms would be more competitive against Indian firms than Chinese firms.

Chapter-6

Conclusion

The importance of international trade is increasing as globalisation proceeds. International trade increases efficiency of the economy by enhancing the division of labour and reducing the costs of production, which in turn reduces the prices for the consumers as well as for the producers. It helps in increasing the competitiveness amongst the nations as consumers have a large amount of choices to make for a single product. Therefore, producers compete to provide better products at lower prices which makes the product competitive.

The benefits of international trade to the growth of an economy is well documented by famous economists like Adam Smith, David Ricardo, Heckscher Ohlin. Economists have advocated different trade theories to highlight the importance of trade. One such theory was the mercantilist trade theory which advocated for maximising the exports and minimising imports as they believed in the concept that the country with the largest reserve of precious metals was the richest. They also believed in complete government control of the economy. The classical school of economic thought emerged by refuting the mercantilist trade theory. Adam Smith and David Ricardo, who were the earliest proponent of the school, came up with the theories of absolute and comparative advantage, respectively. They favoured a liberal trading regime devoid of government control in the form of tariffs and quotas. According to them, free trade results in greater specialisation of the economy as it increases the productivity of labour. All this decreases costs of production, increases foreign competitiveness, and boosts efficiency.

Economists like Nurkse, Berger, and Prebisch argued differently and concluded that free trade often results in the abuse of developing countries by developed ones. Modern theories by Lancaster, Krugman, and Kelpmann surfaced in late 1970s. These theories were inspired by the inability of more conventional approaches to account for some of the most critical evidence about post-war trade records. These economists also called for liberalisation of foreign exchange, as they believed that it plays a crucial role in the world economy.

International trade not only increases productivity but also enhances employment opportunities and strengthens economic integration between different nations. Therefore, numerous governments have opened their markets to foreign commerce over the years to reap its benefits for their own economy and their trading partners. Foreign trade plays a vital role as a mediator in increasing the integration of one country with another. Furthermore, it has numerous benefits for global growth and development. Therefore, on account of the advantages major international institutions were established to ease the process of trade for all economies. These organisations were established under the aegis of

western nations, led by the US, who were trying to rebuild their economies after the second World War. Besides the unsaid goal of dictating the trajectory of the world economic order, the nations of the west also sought to project these international organisations as institutions created to assist the emerging and least developed economies in their journey toward higher levels of economic growth.

Multilateral institutions, by providing the rules, standards, and objectives of international trade further the economic relations between the economies. Therefore, the present study aimed to highlight the importance of multilateral institutions in enhancing the economic ties between the nations in general and Russia and India in particular.

The rationale behind the research was to understand the impact of multilateral forums on the economic relationship and trade movement between Russia and India. Furthermore, the most crucial fact that cannot be overlooked is that there is a relatively low level of investment flows and trade exchanges that is happening between these two nations. The economic engagement between the two has remained far below its potential despite the age-old friendship. Hence, in this context, the study attempted to understand the importance of various multilateral forums in enhancing the engagements between the two sides. The study majorly focused on the period from 2000 to 2018 with the special emphasis on the BRICS. It also analysed that how, in today's globalised world, multilateralism has affected the nature and trend of trade between the two nations.

The present study is largely centred on the two hypotheses:

1. Multilateral forums positively affect the economic relations between the countries by removing trade barriers, enhancing connectivity, and by providing opportunities for regular engagements within an institutional framework.
2. The increase in the volume of trade between India and Russia post-2000 is an outcome of active and regular engagement between these two countries in the various multilateral forums.

The following key questions explored during the course of the study includes:

1. What is Multilateralism and how is the concept understood in the contemporary times?
2. What are the gains of trade realised by India and Russia in the period 2000-2018 on account of their engagement through different multilateral forums in which they both were members?

3. In particular, which multilateral forum has been the most effective in increasing the volume of trade between Russia and India?
4. Which side has benefitted more on account of these multilateral forum engagements?
5. How have multilateral forums impacted investment flows between the two countries?
6. How successful have these multilateral institutions been in removing trade barriers between India and Russia?
7. What are the possibilities offered by these multilateral institutions in enhancing the trade prospects particularly in the scenario of trade barriers being imposed by the key developed countries?
8. How has BRICS served as an important bridge between India and Russia to share their respective economic advantages?
9. How much trade in terms of both volume and value has increased for both Russia and India because of the free trade policies of WTO?
10. How can SCO be a game changer for India in relation to the economic aspects in general and energy exports in particular?

The study has been structured around six chapters. The first chapter titled **Introduction: Conceptual Framework and Review of Literature**, defined the term multilateralism broadly and established that there is a positive linkage between the working of multilateral institutions and international trade. Also, it was established by famous economists around the world that in today's global trade setting, no nation would prosper by isolating itself from the rest of the world. So, to further enhance trade relations between the countries, various international organisation like the UN, IMF, WTO, World Bank, etc., were created. These organisations, from the very beginning, made efforts to help the economies so that they could achieve a higher level of economic growth and realise their growth potential.

Chapter also established that the enhancement of international trade over a period of time was made possible because of increasing connectivity between the regions. The process of this increasing integration between the economies came to be known as globalisation. Globalisation has had an impact, direct or indirect, on the lives of everyone. It has given the people the freedom from "reinventing the wheel". However, the effectiveness of globalisation is highly dependent on the efficient working of the multilateral institutions,

as these multilateral institutions guarantee the smooth operation of the international commerce and trade mechanism.

Different countries opt for a different system based on their foreign policies, but globalisation has been contingent on the smooth functioning of multilateral institutions. These organisations are governed by comprehensive sets of rules that provide the organisations with multilateral structures. They address unique foreign affairs problems and are clearly very significant for the economy and polity of the world today.

Multilateralism is defined as the practice or exercise where two or more nations coordinate or sync their national policies, either through an institutional mechanism or through some temporary arrangements. The need for multilateralism began post-industrialisation, when the manufacturing process transformed from hand-made production to production through machines. The form in which multilateralism stands today started to take shape post-1815, after Napoleon's defeat at the battle of Waterloo. Later, after the end of WWII, many institutions like the UN, IMF, GATT, and World Bank came together and tried to address the issues affecting the entire world and provide solutions. The increasing pace of globalisation, created the need for well-functioning multilateral institutions.

World politics began to see the influence of multilateralism in policy formulation. It is evident from the fact that multilateral forums and conferences began to expand at a very high pace over a span of only four decades. The number of the multilateral organisation grew to over 600 in 1980 from a very small number of less than 100 in 1945 and 200 in 1960. While bilateralism revived on a few issues in the 1980s, most notably trade, the number and variety of multilateral agreements continue to grow. Multilateralism has been instrumental in sustaining the century's enormous economic success, with multilateral financial institutions performing an extremely effective role in supporting economic success of previously unimaginable proportions. Furthermore, as globalisation progresses, the demand for multilateral organisations becomes higher.

The chapter also highlighted some of the challenges to multilateralism. The essence behind multilateralism is that the states want to coordinate their efforts to align their policies by agreeing on a common set of standards established. But over time, state principles changes, and how they deal with a situation also changes, and this is one of the challenges for multilateralism. Secondly, the strong nationalist feelings among certain sections of a nation try to pull the country away from such agreements. Thirdly, it must be recognised that

conflicts are an integral part of the country. Therefore, when such an agreement's principle/feature interrupts can behave under certain circumstances, in such a case, a country does not honour its commitment toward the agreement. However, there are some issues like terrorism, diseases, poverty, environmental issues, etc., which need the global community to work together to find a common and standard solution. Therefore, multilateralism is the only solution for the global community to solve such issues even if they find limitations in the process. Furthermore, under the setting of these multilateral institutions, the relationship between India and Russia is a case in point, has great potential to grow if all the economic components are taken into account. A significant limiting point in the economic relationship between the two countries is the comparatively low degree of trade and investment.

Trade between Russia and India has increased considerably since 1990-91 with the increase in both imports and exports figures. Various targets have been set and achieved by both countries in foreign trade. It was realised over a period of time that both the nations have great potential to increase their trade figures and are working at the highest levels to achieve that potential. Many such groupings were established over the period like SCO, RIC, BRICS, etc., and still, the talks are going on between the two nations to create a platform distinguished from the bloc of western countries where the two nations, along with other like-minded countries, may address different problems without being influenced by the West.

Total trade turnover between the two countries rose to 11.45 percent in 1990-91 from 0.12 percent in 1920-21, according to statistics available from the Centre for Monitoring Indian Economy. Between 1991 and 1999, trade between India and Russia decreased significantly. Bilateral exchange in 1999 totalled just about \$1.5 billion, accounting for just about 1.3 percent of imports and 2.5 percent of exports. In all the years from 1990 to 2000, the trade balance of India with Russia was positive. Whereas, after 2000, the trade balance favoured Russia. A target of \$30 billion was set in December 2014, to be achieved by 2025, which now is revised to \$50 billion.

The second chapter **BRICS in the Development of Russia-India Economic Relations** highlighted the importance of BRICS in enhancing the economic relations between the two nations. BRICS established itself as an important multilateral organisation for both countries as both India and Russia are involved in various fields of cooperation under the umbrella of BRICS. For example, cooperation in the field of the economic and financial

sector is enhanced by the establishment of NDB and CRA. Other areas of cooperation include Health and well-being, science, technology, and innovation, security, business, agriculture, education, etc. For Russia, BRICS is an important grouping, both for cooperation in the international arena and to counter the hegemony of the West. Furthermore, for India, it is an institution to increase its cooperation with member countries and step up its relevance in the world order. After the 2008 Global financial crisis, both countries worked towards cooperating in institutions like BRICS, which can help them concentrate specifically on economic matters.

After 2014, the plan of the BRICS grouping broadened from economic issues to debating political issues of global nature, working to reach a consensus among member nations, and developing bilateral interactions with others as well as among the member countries. To boost cooperation among BRICS nations, the “BRICS Economic Partnership Strategy” was adopted during Ufa Summit in 2015. It encompasses areas of cooperation like manufacturing, energy, science, technology, and innovation, agricultural cooperation, financial and ICT collaboration, connectivity, and coordination in regional and multilateral organisations. At the annual summit in 2015, both sides highlighted the need to enhance trade cooperation and set a target for both bilateral trade and investment, a target of \$50 billion is set to be achieved by 2025.

It was also concluded in the chapter that both the countries should stress the need to diversify their trade and economic exchanges by moving beyond traditional areas of cooperation to new ones like railways, pharmaceuticals, transport and logistics, steel, and minerals, which can boost their bilateral ties. BRICS will help both nations diversify their economic exchanges.

The bilateral trade between Russia and India has been gaining strength after BRICS. Major export items from India increased and now include manufactured items, iron and steel, tea, coffee, pharmaceuticals, and tobacco. Major import items include defence equipment, fertilisers, electronics, steel, diamond, and nuclear power equipment. It is highlighted that engagement between the two countries is going on at high levels both within and outside the framework of BRICS, and to further strengthen economic and trade relations between the two, around 27 agreements were signed in 2015, of which 10 pertain exclusively to economic aspects. Both countries also participated in the BRICS summit in 2015, where many issues related to trade and economic cooperation were discussed.

BRICS has also given a push to India-Russia relations in sectors like defence, energy, and investment which are vital for India's future energy needs. Simultaneously, it has also provided both countries with new avenues in which bilateral relations can be strengthened. India-Russia intra-BRICS trade reached 8.2 percent in 2018-19 from 6.3 percent in 2014-15, and in relation to global trade, it came 0.97 percent from 0.84 percent in the same period. The total bilateral trade was approximately \$9 billion in 2014, in which the Indian export figure was \$3 billion, and Russia's export figure was \$6 billion. In total, between 2000 to 2014, Indian investment in Russia was about \$8 billion, while Russia's investment in India was \$3 billion.

With the establishment of BRICS in June 2006, the total trade between both countries increased, as can be seen from the below table. It shows the potential role this organisation can play in boosting our trade and economic cooperation.

Table 11: Trend in Russia Trade with India, 2005-2014 (US \$ in a million)

Item	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Exports to India	2,314	2,926	3,034	5,231	5,937	5,406	4,666	7,567	6,983	6,239
Imports from India	784	967	1,309	1,714	1,524	2,143	2,761	3,041	3,091	3,129
Total trade	3,098	3,893	4,343	6,945	7,461	7,550	7,426	10,608	10,074	9,368
Trade balance with India	1,530	1,958	1,725	3,517	4,413	3,263	1,905	4,525	3,891	3,110

Source: Trade map, ITC Geneva

So, it can be concluded that BRICS evolved into an essential organisation that will help both Russia and India to bridge their economic gaps. Under the BRICS framework, both will work towards taking benefit of each other's economic advantages and work towards enhancing their growth and development potentials.

Chapter three **World Trade Organisation (WTO) and Russia-India Trade Ties** emphasised on WTO as an instrumental organisation in bringing changes in Indo-Russian trade ties. WTO, with its Agreements on Agriculture, General Agreement on Trade in Services, Agreement on TRIPS, Agreement on the technical barriers, trade disputes, and anti-dumping measures, has increased the scope and opportunities for trade among these two countries. India has opened its economy under the guidance of WTO through liberalisation, simplification in trade procedures, and transparency. WTO's membership has provided India with an environment that was more advantageous for exports and gave India access to new markets. India has now begun to actively participate in the WTO trade

processes, which in turn has determined its new trade policies and is going to affect its future international policies related to the trade aspects.

Russia joined WTO in 2012 with the goal of acquiring the advantage of the new trading environment and foreign market access. It helped to increase its exports, and investment and provided it access to international dispute settlement mechanisms. It was believed that Russia's accession not only benefits Russia but also other member countries in terms of an increase in the trade volume. For Russia, after 1991, the share of exports in total trade rose to around 40 percent in a decade. In sum, the benefits of joining WTO were a better business environment and acceleration in economic growth. It also provided a platform for discussion of free trade agreements. It has undoubtedly made trade between Russia and the world more diversified and smoother, by offering significant economic opportunities. The accession to WTO has led to improved and better resource allocation within the country along with increased competition. It has also led to changes in rules and regulations, which have been long due, like changes in the business environment, corruption complaints, protecting minority stakeholders, and securing an independent judiciary.

For India, Russian accession to WTO led to greater market access for India's exports of goods and services. Trade barriers that existed between the two are expected to fall, which will lead to trade enhancement. India's strength lies in the service sector, and Russia has committed to enforce market access which will cover the services sector. There are many areas that have the potential to grow, like agricultural exports, leather, semi-precious stones, fruits, flowers, jewellery made of precious metals, tobacco, and cooperation in biotechnology. Also, there is a lot of scope for cooperation in areas like maritime transport services, infrastructure, telecommunication, energy, etc. It is time for both parties to take steps to explore areas of collaboration, and WTO can be very instrumental in this.

It was emphasised in the chapter that both the nations are yet to reach their full potential, which is hindered by certain trade barriers like high logistics and transportation costs, language and information barriers, technical barriers, barriers related to certifications and standards, tariffs, and non-tariff barriers. It was concluded that these barriers should be addressed immediately and assume priority in their policies and agendas. So, both the nations have a lot of common areas where they expand their trade, and after Russia joined WTO, it is now expected by the research analysts and scholars that WTO will play its part in the implementation of rules and standards under which both nations are going to operate.

Also, it will provide a platform where they can discuss trade simplification procedures and the needed standards.

So, it can be said that a lot of areas and scope are left between the two countries for expanding trade, and WTO can prove to be an organisation that could help both countries in realising these potentials and reaching to new heights of trade gains. Furthermore, WTO could in future help both the nations in realising their trade potential and realising the target of \$50 billion by 2025.

The fourth chapter **Shanghai Cooperation Organisation (SCO) and Russia-India Relation's Future** focussed on the areas where SCO plays a role to improve the economic cooperation between the two nations. SCO came into being in 2001 and owes its origin to its predecessor Shanghai five. It was created to deepen military trust between the nations. India joined the organisation formally at SCO's annual summit in Astana in 2017. Today, apart from China, Russia and India are the other two big players in this organisation. Under the ambit of SCO, both Russia and India are expanding their cooperation in relation to anti-terrorism activities, new business opportunities, and energy-related mechanisms. It was concluded that SCO seeks to reinforce the shared trust among member states, and encourages efficient political, technological and cultural cooperation. Its objective is to improve relations in the field of education, tourism, environment, and so on. The organisation encourages both the nations to work together to build a new economic and political order based on democracy, rationality, and fairness.

SCO is seen by India as a multilateral forum in Asia rather than as an armed bloc or an anti-western organisation. It is a pivotal organisation for discussing economic and security issues. It is in line with India's "Connect Central Asia policy" and it will help India to strengthen people-to-people ties. SCO provided a two-way relationship between Russia and India as both countries can benefit from each other in various areas. In the health care field, the skills of India's pharmaceuticals and hospitality sector can be very beneficial for Russia. India has emerged as an attractive medical tourism destination for world countries. Other areas like renewable energy, biofuels, and green technology are taken on a priority basis, which can be seen in the establishment of the International Solar Alliance. Engaging in education and the cultural sphere are other areas of cooperation. India has a lot to offer with its high-quality training module and education curriculum. In the cultural arena, Buddhism has proved to be a vital link connecting both the region. Other areas of cooperation are

energy, disaster management, and infrastructure, which can also lead to a greater flow of investment in the region.

To strengthen the relationship with Russia in particular and other SCO members in general, it was realised that India needs to enhance its footprints in this region. India is already working in this direction by providing incentives to tourism, startups, and the pharmaceutical sectors. It is on the right path to leverage its demographic dividend and has an ambitious target of achieving a \$5 trillion economic status in the coming decade. It is also highlighted that both India and Russia can derive benefits from RATS which has the mandate to assist in their fight against terrorism, extremism, and separatism. It will also lead to sharing of information and increased cooperation on other security issues. Both countries are cognisant of the development that is taking place in Afghanistan and extending every help and support to ease the situation.

Considering the uncertainties in Afghanistan and the Middle East, India and Russia both have a lot to gain in the hydrocarbons sector. Russia and India can also support the development process in this region. India is amongst the top in the list of energy consumers, whereas CAR countries and Russia tops the list of hydrocarbon producers. Given the changing scenarios and increasing uncertainties in the middle east, India needs other options from where it can import hydrocarbons. So, the membership will benefit India by providing access to the market of CAR and Russia for the import of hydrocarbons and allow it to address its energy needs. Participation of both the countries membership in the SCO will undoubtedly bring a significant shift in the geopolitics of the region.

For Russia, the main objectives and aims are to reestablish traditional dominance in the region and to resist USA's hegemony and unipolarity, and SCO has become that fulcrum for Russia to balance its both objectives. Though SCO, Russia, and India are trying to assert their influence at the global level against the issues of terrorism, separatism, and extremism, which are crucial not only for the region but also for the world. India and Russia also have certain apprehension about the rising dominance and influence of China in the Central Asian Region, which Russia, in particular, considers as its traditional backyard. They also have a common desire to promote multipolarity in the world and maintain regional stability.

In the effective functioning of SCO, China has played an important role. It has worked to maintain stability in the region which is mutually beneficial for all the members. Russia, China, and India can derive a lot of common benefits from this region. Moreover, because

Russia has plenty of natural resources and China and India have enormous population and as China's and India's economies are increasing rapidly and Russia's economy is recovering and developing, all the three aspire for mutual economic cooperation. It is believed that the trilateral collaboration between China, Russia, and India can be strengthened under SCO's framework.

SCO is, therefore, a significant forum for the interaction and collaboration of Russia and India to achieve peace, progress, and stability in both the regions and worldwide. To make and claim the 21st century as the Asian century, cooperation between members is very crucial, only then can SCO truly become an organisation for the Asians, by the Asians, and of the Asians. Russia and India have increased their cooperation in several areas, more so under SCO, which has provided them a crucial platform to discuss common goals. Production of Brahmos, assistance in space research, and submarine imports are some crucial sectors. In energy, both the regions have significant cooperation, for instance Kudankulam nuclear station. Russia also considers India as an essential player in counterbalancing USA and China in the region. Above all these cooperations, both want to maintain stability and peaceful Central Asia. As a result, SCO has become a crucial international body that can help both Russia and India to progress further. There is still a lot of scope of increasing cooperation between the two in different spheres, such as private sector engagement. It can also serve as a platform for engaging in a various political agreement to enhance relations in the light of the "Shanghai spirit".

The fifth chapter **International North-South Transport Corridor and Eurasian Economic Union as the New Engine for Russia-India Trade and Economic Linkages** emphasised on the significance of INSTC and EEU for Indo-Russian trade relations. INSTC draws inspiration from an ancient route that connected Europe and Asia for centuries, and it was used by Indian, Russian, European, and other foreign traders. Both India and Russia hoped that INSTC would help bring people closer to each other. It is highlighted that the corridor has the potential to bring substantial economic, political, and strategic gains for both countries and can prove to be a bedrock for strengthening relations in the future. The project was conceived to reduce the transportation time and cost in comparison to route passing through the Suez Canal and also to address security concerns on account of its proximity to the middle-east region. It is concluded that INSTC will reduce the cost by \$2500 per 15 ton of goods and time by 30 to 40 days compared to the Suez Canal route. So, it is highlighted that these profits can also be reaped by other

countries as well who may become part of it in the future. It will not only enhance the volume of global trade but also check many security concerns along the route.

It is emphasised that both India and Russia will achieve their set objectives via this corridor. Some of these objectives are-to gain transport efficiency, more access to the global market, to support growth in freight and passenger transport, to synchronise transport policies, and to provide a non-discriminatory environment for all forms of transport services. INSTC will also help to boost trade and investment among both countries and in fulfilling the energy needs for India, along with reducing its current account deficit and making the currency more competitive. The corridor also aligns with India's "Connect Central Asia policy". It will give opportunities to both the economies in terms of expanded and new markets. INSTC will enhance India's foreign policy and is a natural choice to counter China's BRI project. It also helps India to bypass Pakistan and connect with its old friend, Russia, which is showing signs of closeness with Pakistan.

Russia sees INSTC as a tool to deepen economic integration in the region. It also wants to enhance its relationship with European nations by showing itself as a gateway to Asia. Russia sees India as a huge market for its exports, especially hydrocarbons. INSTC will help Russia in realising these benefits. In spite of all the benefits, there remain some challenges like lack of private sector participation, the concern of US sanctions on Russian MNCs, and lack of economic viability in the eyes of some experts along with the issue of infrastructure and digital advances.

For India, European Union accounts for a significant market for its exports. The main items of exports include perishable items like meat, seafood, and food grains. INSTC, which will decrease the transportation period, is thus beneficial for India. India is also exploring to increase its manufacturing industries at home, like pharmaceuticals for export purposes, replacing its low-end manufactured goods trade. India is working to increase its digital connectivity and decrease its logistics costs to capture the potential benefits of INSTC. Both countries are working to reduce technical and regulatory barriers to streamline the flow of goods. The green corridor agreement is a good example that will help ease cargo movement at borders. INSTC is a broader attempt to increase trade opportunities and connectivity. At this moment, trade between both countries is not up to its full potential. This project will not only enhance economic cooperation but security and political cooperation as well.

EEU was established in 2015 and currently has five members. India's engagement with EEU in terms of trade is very low except with Russia and Kazakhstan. India runs a trade deficit with all nations except Belarus and Armenia. Chapter highlighted that India hopes to sign FTA with EEU in order to reap export benefits and reduce trade deficits. FTA will provide India with direct and controlled access to the region's market. On the other hand, EEU countries that are resource rich in hydrocarbons can gain substantial market access for its hydrocarbon's imports. FTA would also benefit beef, dairy products, oilseeds, non-basmati rice, and pharmaceuticals. Russia is the largest trade partner amongst all the member nations of EEU, amongst which trade can be strengthened further if tariff and non-tariff barriers are taken care of.

India's greater presence in EEU would limit fear of an expansionist China, a concern the other members have already expressed. India historically has had good friendly relations with Russia, and EEU can act as a gateway for India to enhance its presence in the Eurasian region simultaneously, diminishing the Chinese presence in the region. Moscow also believes that Russian firms would be in a more advantageous position against India than China. Hence, it too wants more Indian penetration in the Union.

Finally, India always showed support to Russia even when the world supported the USA in different United Nations forums. When the Russian economy was falling, and the countries across the globe wanted to trade with the United States of America, India maintained its trade connections with Russia. Sushma Swaraj, External Affairs Minister at the time, declared after the signing of a \$400 billion defence contract with Russia, "It is our clear position that we would adhere to UN sanctions, not country-specific penalties. India's trade with Russia will continue."

A lot of sanctions were imposed by USA and western countries on Russia post-Crimea annexation. This led Russia to look towards the East for further explorations and a move toward its historical allies, and India was one of the vital nations in the region. Even after the dissolution of the USSR in 1991, which also marked the end of the cold war between the two major superpowers of the time that continued for almost 45 years, Russia managed to remain the largest trade partner of India in the defence sector.

In addition, both countries can entrench their economic ties to a new level in the light of sanctions imposed by the West on Russia, as Russia can't look toward west. In addition to the sanctions on Russia, the US is also adopting protective measures against India wherein

both the countries are imposing tariffs against each other and are moving to international fora against each other in relation to the trade disputes. So, by looking at the US position today, it can be made out that India can expect a few more hurdles in the future. Therefore, in the light of these adverse developments, both nations can improve and increase their economic ties to a new level.

Another major area that holds importance between the two countries economic relations is **investment trends**. As of 2015, investment between the two countries that flows from India to Russia stands at around \$8 billion, and flow from Russia to India comprises of \$30 billion by 2025. India is already looking to enhance its investment in areas like timber, LNG, and coking coal. The foreign secretary also stressed on the point that Indian companies have significantly invested in the Russian economy, especially through its investment in the Sakhalin-1 project, which was one of the earliest public sector investments in Russia. India has acquired stakes of the amount worth \$15 billion in five Russian companies. India is also exploring the possibility of privatising its major oil companies and having talks with Russian counterparts to know their interest in acquiring stakes in them.

Investment is also given priority now after both the countries achieved their set target of \$30 billion in 2017, which was supposed to be achieved by 2025. Now, the new target is \$50 billion to be achieved by 2025. India's majority of investment goes to the gas and oil sector in Russia, and also Russia is the topmost destination of investment in India in the hydrocarbon sector. Diversification in areas such as pharmaceuticals, metallurgy, shipbuilding, space, etc., can lead to a massive increase in investment. Railways and nuclear energy are other emerging areas for investment destinations in India. The organisation is keen to increase the investment amongst the member nations, which not only enhances the cooperation between the members but also works towards improving the global financial situation.

So, it can be concluded that both sides are trying to take the maximum benefit from the membership of different organisations. It remains to be seen as to which country captures larger gains. All the mentioned organisation is unique in their functioning and structure. Therefore, all of them positively impact the relationship between the two nations.

So, from the above analysis, it can be stated that both hypotheses hold true. The engagement of both the countries in the different multilateral institutions has positively affected their

economic relations. WTO will help both in removing the trade barriers that will include both tariff and non-tariff barriers. INSTC will enhance the connectivity. SCO will help in increasing the security, military, and defence ties in particular and economic ties in general. Furthermore, BRICS will bridge the gap between the two and enhance their economic ties. Secondly, after the end of the twentieth century, both the countries began to engage actively through the different institutions as both understood the importance and role these multilateral institutions play in today's globalised world. Furthermore, 21st century is clearly a century of interconnectedness and linkages. Multilateral institutions will clearly help the economies to function with full potential in this century by providing standard rules and regulations. Clearly, both India and Russia, with active and regular engagements in different forums, will help them to increase the value as well as the volume of trade.

From the study, it can be concluded that the benefits of multilateral organisations have been definitely reaped by both Russia and India. It has sown the seeds for future growth and cooperation between the two nations. Working together in organisations like BRICS, WTO, SCO, INSTC, EEU has led to increased trade and economic cooperation along with increasing cooperation in areas like defence, health, science and technology, and investment. The two countries have also come closer on the political front with the common goal towards the eradication of separatism and extremism, which threaten not only their internal security but also national sovereignty. It has also been found by the study that different multilateral institutions have a positive effect on their economic relations. WTO has helped in removing the trade barriers, INSTC provide the time and cost advantage with improved connectivity, BRICS bridges the gap between both countries on economic as well as economic front, and SCO is a major instrument in their fight against terrorism.

Each study passes through its own path of limitations. The limitation that came across during the study is not the paucity of data but rather the copious amount of data. For some sections, it became tough to sort the data. The chapter three related to WTO has its own limitation as there is little emphasis on the Russia-India trade relations under the ambit of WTO. So, there was a lack of literature on the topic as well as data on their trade is not available at one place. Also, talks related to the FTA between India and EEU is ongoing. So, the future prospect of FTA is still not very clear. Despite all the limitations, the study went smoothly and is now completed.

With the signing of various treaties and agreements under the ambit of different international organisations, both countries hold bright future prospects in terms of trade and

economic relations. The engagement of both nations in institutions like WTO, BRICS, SCO, INSTC has strengthened not only their economic relations but also their political relations. In the coming decade, both countries are looking forward to increase their cooperation in sectors like defence, science and technology, health, and medicine. Both the nations wanted to increase their bilateral trade as it is advantageous for their growth and development prospects. Russia seeks to reduce hegemony of US and desires to expand its export base, whereas India, on the other hand, wants to move away from its traditional import partners to reduce the stability of its imports. Both support each other in the international forums, against the sanctions imposed, by enhancing the cooperation in various fields and diversifying their already established areas. The future holds bright for both countries as both are looking towards other areas to expand their relations and realise the full potential of mutually advantageous engagements.

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