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India Russia Strategic Economic Dialogue

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1st ever India-Russia Strategic Economic Dialogue was held at St. Petersburg in Russia to identify greater synergy in trade and investment.

- The decision to hold strategic economic dialogue was taken during the 19th India-Russia Annual Summit held in October 2018 in New Delhi.
- The Indian side was led by NITI Aayog Vice Chairman, while the Russian delegation was headed by Economic Development Minister.
- The Strategic Economic Dialogue focused on five core areas - **Transport Infrastructure, Agriculture and agro-processing sector, Small & Medium Business support, Digital Transformation & Frontier technologies and Industrial & Trade Cooperation.**
- Through the dialogue, India Russia can address a number of issues that hinder India-Russia trade like **connectivity issues, distance, weak banking links, cumbersome regulations on both sides and Russia's restrictive visa regime.**
- The next round of Strategic Economic dialogue will be held in end-July/August 2019 in India.

Areas of Cooperation Discussed

- **Operationalization of INSTC** (International North-South Transport Corridor) route on priority and early organization of its coordination council.
- **Improvement of Inland Waterways in India** through Russian collaboration and setting up of special techno-parks for Russian investments.
- **Addressing market restrictions** and access for both sides on agri-products, textiles, diamonds and establishing a broader dialogue on national currencies.
- Joint action by Public and Private sector in nurturing Small and Medium Enterprises, including information exchange mechanism needed to access credit and market and for learning from best practices and mutual recognition of each others companies.
- On the digital front, **cooperation in Financial Technology, Artificial Intelligence(AI), blockchain system and Quantum computing** were discussed.

- Joint working arrangements and pilot projects in healthcare, Tourism, projects which can be developed for third-country markets, and to invest resources jointly in projects in the far eastern region of the Russian Federation.

Importance of Strategic Economic Dialogue

- India had shared strong ties with the former Soviet Union as which was India's biggest defense and trade partner during the Cold War. Despite having a Special and Privileged Strategic Partnership, India-Russia relation faces a number of challenges.
- The reasons for the downturn in relations:
 - In 2017, the trade between the two countries was around \$ 10 billion. **They account for a meager 1% of each other's total trade volume.**
 - In the wake of the Ukraine crisis in 2013, **Russia's proximity with China increased.**
 - **India's efforts at diversifying its defense procurement** and thus bringing in other partners such as the United States, Israel, and France has also impacted the relations.
 - India's **growing proximity to the United States.**
- As the defense cooperation is decreasing it is necessary for both nations to develop a strong bilateral economic and trade relationship. A weak economic base is a problematic part of India Russia engagement which requires attention for long-term sustenance of the strategic partnership.
- The importance of strategic dialogue is to identify areas where both countries could work together to further improve their trade and economic cooperation.

Way Forward

- A strategic bilateral relationship between major powers cannot be sustained without a strong economic partnership as strong trade relations bring strategic character to the relationship.
- The **good political ties between India and Russia are not reflected in their economic links.** Thus, the institution of Strategic Economic Dialogue is a positive step to address this issue given it leads to substantial changes on the ground.
- Measures like the **International North-South Transport Corridor (INSTC)** can solve the connectivity issue between the two.
- There is a need to expedite the free trade negotiations between India and Russia steered Eurasian Economic Union (EEU). Once finalized, the FTA with EEU aided by INSTC could increase India-Russia trade manifold.

International North-South Transport Corridor

- INSTC is a multi-modal transportation route linking the Indian Ocean and the Persian Gulf to the Caspian Sea via Iran, and onward to northern Europe via St. Petersburg in Russia.
- The INSTC was initiated by Russia, India, and Iran in September 2000 to establish transportation networks among the member states and to enhance connectivity with the landlocked region of Central Asia.

Eurasian Economic Union

- The Eurasian Economic Union **was started in 2015** based on the Customs Union of Russia, Kazakhstan and Belarus.
- The bloc was launched to ensure the free movement of goods, services, capital and workforce within its borders.
- Members: **Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia.**