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  Chandra Rekha

Book Reviews
The year 2020 marked two decades of the signing of the Treaty of “Strategic Partnership between India and Russia” in 2000. In the past two decades while many of the components in the strategic partnership such as defence and nuclear cooperation have projected a success story, the same cannot be said for the economic ties between India and Russia. India continues to remain the largest market for Russian military equipment, accounting for 56 per cent.\(^1\) Economic relations, on the other hand, between India and Russia have been the weakest link in their bilateral partnership, and the total bilateral trade from January to September 2019 stood at US$ 7.55 billion.\(^2\) Given the

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fact that the partnership has set a target of reaching US$ 30 billion of trade relations by 2025, both India and Russia have undertaken several measures to address the underperformance of economic relations by exploring new areas of cooperation. Some of the new avenues include tapping the potentials of the Far East Region, the role of public-private partnership (PPP), importance of connectivity through economic trade corridors such as International North-South Transport Corridor (INSTC), the Chennai-Valdivostok maritime route, including subregional cooperation.

Subregional cooperation has emerged as one of the prospective areas of cooperation and regional connectivity to add further impetus to the economic cooperation between India and Russia. The initiative is set to cement and institutionalise cooperation between the States and Union Territories of the Republic of India and Provinces of the Russian Federation. While subregional cooperation has gained prominence in recent times, India and Russia in the past too have explored the potential of such cooperation to enhance trade relations between the two countries. Historically, Astrakhan became an early subregional cooperation centre in the trade relations between Russia and India and Gujarat, in particular, has had fraternal relations with Astrakhan. In today’s context, several agreements of cooperation between Gujarat and the Russian province of Astrakhan have been signed to renew the old economic ties between the two regions. Given the new directions in India-Russia relations, the Russian Far East has emerged as an important focal area for subregional cooperation between India and Russia. However, there are challenges in the subregional cooperation which need critical examination.

To explore prospective areas of cooperation and measures to strengthen economic relations, subregional cooperation, in particular, is seen as one of the prospective areas to enhance economic cooperation. There is a growing momentum of cooperation between the Indian states and Russian provinces to boost the direct engagement for business-to-business contacts, entrepreneurs and governmental bodies on both sides. Both India and Russia have also agreed to encourage participation by regional delegations in major events such as participation in Eastern Economic Forum (EEF) and to organise the India-Russia interregional forum.
EARLIEST SUBREGIONAL COOPERATION: JOURNEY OF INDIAN MERCHANTS TO ASTRAKHAN

While subregional cooperation has gained prominence in recent times, historically India and Russia have explored the potential of such cooperation to enhance trade relations between the two countries. Astrakhan became the first place in Russia where an Indian Merchant colony was established as early as the 1630s. Astrakhan—a city in Russia recognised for the oldest economic and cultural centre of the Lower Volga and the Caspian region—became the centre of trade as it was host to nearly 200 Indian merchants. The Indian traders in Astrakhan came mostly from Sindh, Punjab, Rajasthan and Gujarat. It is said that the Indian trade community in Astrakhan was an extension of the business community in nearby Persia and part of a larger constellation that spread across Eurasia from Kandahar to Isfahan to Tabriz to Bukhara.

Figure 1: Astrakhan


Subregional cooperation saw the heydays of Indian trade in Russia during the 18th century, especially in Astrakhan. A series of efforts have been made to develop diplomatic and trade relations with India. In 1714, Peter I instructed a Russian envoy in Isfahan, A. P. Volynsky, to explore trade routes from Persia to India, the conditions of the local trade, and needs of the Indian trade. Further, the Tsarist authorities recognised the contribution of Indian merchants in strengthening trade relations between India and Russia. In this context, a policy called the Senate Regulations of 1720 was introduced which provided protection of property and necessary assistance for trade business done by Eastern merchants settled in Astrakhan, which was in use until the late 19th century. Additionally, the Indian merchants enjoyed religious freedom as the Tsar authorities did not interfere in their family, religious or social practices and customs.

Indian settlers in Astrakhan had even ‘Russianised’ their names such as Ramdas Dhasuev from Multan and Talaram Alimchandov from Sindh.

The trade turnover of Indian merchants and the value of goods exported from Astrakhan Oblast into the interior cities of Russia in 1724 exceeded 104,000 roubles, which amounted to nearly a quarter of all of Astrakhan trade in that era. According to the documents of the Astrakhan Customs of 1773, the main business focus of Indian merchants were dyestuff, precious stones, muslin, silk, cotton fabrics, and spices which largely replaced the Dutch, English and other west European merchants’ imports to Russia. An Indian Trade House was


7. Ibid.


10. n. 3.

constructed with about seventy shops which still exist in Astrakhan today.\textsuperscript{12}

However, the trade and the role of the Indian merchants began to decline in the early \textsuperscript{19} century due to two main factors: (a) the Russian Empire began to strictly regulate trade by foreign merchants, and (b) India came under European colonists who had a huge impact on the manufacturing bases and independent trade relations by Indians abroad.\textsuperscript{13}

Given the historical relevance of trade relations between India and Russia, a long-term trade agreement was put in place, after India’s Independence, between India and the erstwhile Soviet Union. The disintegration of the Soviet Union, however, had serious ramifications on the economic relations between India and Russia. A large part of the \textsuperscript{90}s constituted a period of difficult adjustments for both India and Russia businesses despite the vigorous economic and trade relations in the past.

The relationship between India and Russia gained momentum with President Vladimir Putin’s visit in \textsuperscript{2000} as it held out an opportunity to create a special bilateral economic relationship with the signing of the Treaty. Realising the need for revitalising economic cooperation, the two countries established annual summit meetings to foster extensive collaboration for economic development. As part of regional connectivity, subregional cooperation today has once again emerged as one of the new vistas of engagement between India and Russia to enhance economic relations.

**PROPELLING SUBREGIONAL COOPERATION: FROM ASTRAKHAN TO VLADIVOSTOK**

Indian merchants had been active for two and a half centuries that resulted in intense expansion of trade relations in Astrakhan and Russia at large.\textsuperscript{14} Gujarat, in particular, has had fraternal relations with Astrakhan which was largely involved with the diamond industry

\begin{itemize}
  \item \textsuperscript{13} Pieter D. Wezeman, et al., n. 1.
  \item \textsuperscript{14} Ibid.
\end{itemize}
for centuries. Given the long established economic engagement between Gujarat and Astrakhan in the past, Prime Minister Narendra Modi, then the Chief Minister (CM) of Gujarat, visited Astrakhan in 2001 on the sidelines of the visit of the then Prime Minister (PM), Atal Bihari Vajpayee, to Russia. Modi signed an agreement of cooperation between Gujarat and the Russian province of Astrakhan to renew the old economic ties between the two regions.

Since the signing of the MoU between Gujarat and Astrakhan, several interactions and visits by delegations and business entities have taken place. An agreement of cooperation was signed between the Gujarat Chamber of Commerce and Industry and the Astrakhan Chamber of Commerce on March 22, 2003. The agreement aimed at creating conditions for fostering greater investment by members and member companies on both sides. The Governor of Astrakhan, Anatoly Guzhniv, visited Gandhinagar in March 2003. The visiting delegation identified key areas of cooperation that included shipbuilding, food industry, trade, pharmaceuticals, fisheries, human resource development and culture.

As the five-year MoU signed in 2001 was to expire in December 2006, Modi visited Astrakhan in July 2006 for the second time and signed a protocol to extend the MoU until November 2011. This was followed by Astrakhan’s Vice-Governor, Konstantin Markelov’s visit to Gujarat in November 2011 to sign a protocol of cooperation to enhance trade, economic cooperation, joint ventures, and distance learning in university education, tourism package, hydrocarbons research and development, shipbuilding and cultural exchanges between the two regions. The two states also created a joint committee to oversee the business and trade component of the protocol.

The relevance of the Astrakhan-Gujarat subregional cooperation gained further impetus as it became an important hub on the

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International North-South Transportation Corridor (Figure 2) linking India and Russia to enhance bilateral trade and economic activities. The corridor starts in the Indian west coast (Mumbai), passes along the sea to the Iranian ports of Chabahar and Bandar-e Abbas, and by land to Iran’s Caspian Sea coast and beyond. One part of the corridor crosses the Caspian Sea to Astrakhan, and another uses the land route to Central Asia or the Caucasus to Russia and onwards to northern Europe. Given the reconnecting efforts by India and Russia, the Okha port in Gujarat and Olya port in Astrakhan through the Iranian rail-sea-road network is seen as a crucial aspect in reviving the trade route, which acts as a major transhipment hub between India and Europe.

**Figure 2: International North-South Transportation Corridor**

![International North-South Transportation Corridor](https://www.vifindia.org/siteimage/articles/20161024-international-north-south-transit-corridor-2.png)


Other notable developments in the subregional cooperation between Gujarat and Astrakhan include an MoU signed in January 2011 between Russia’s Gazprom and Gujarat State Petroleum Corporation (GSPC) for a long-term supply of 2.5 million tons per annum (MTPA) of liquefied natural gas (LNG) to meet the
growing demand of gas. In February 2013, Ahmedabad-based Cadila Pharmaceuticals Ltd. signed an agreement to build a US$ 150 million pharma manufacturing plant in Astrakhan. In November 2014, the Indian Embassy in Moscow, jointly with the Astrakhan Government organised a presentation on opportunities and prospects for cooperation, led by Elina Polyanskaya, Vice-Chairman and Economic Development Minister of Astrakhan. In 2015, Astrakhan Region’s Governor Alexander Zhilkin led a high-level official delegation to the biannual Vibrant Gujarat Global Investors Summit.18

INDIA’S INTEREST IN THE FAR EAST
Another major development to enhance economic cooperation between India and Russia was the establishment of the EEF in 2015 by the decree of the President of Russia. This Forum acts as a key mechanism to discuss issues related to global economy, regional connectivity and integration, development of infrastructure, industries and technological sectors largely focusing on Russia’s Far East (FAR), and to expand international cooperation in the Asia-Pacific region. India has emerged as one of the key extra-regional players alongside China, Japan, the Republic of Korea, Australia, New Zealand, Vietnam, to name a few.

India has successfully participated in the annual EEF. PM Modi was the chief guest for the fifth EEF 2019 held on September 4-5, 2019 which emerged as one of the key focus areas to strengthen India-Russia economic cooperation alongside the aim to reach the US$ 30 billion target of trade by 2030. He called for an ‘Act Far East’ policy and one of the key initiatives of cooperation is subregional cooperation between the two countries.

In fact, in 2017, PM Modi attended the first ever collective meeting with the governors of 16 regions of Russia at St. Petersburg, thus reaffirming the collective vision of the two countries. The meeting was attended by governors of Arkhangelsk Oblast, Astrakhan Oblast, Irkutsk region, Moscow region, Primorye Territory, Republic of Kalmykia, Tatarstan, St. Petersburg,

18. Ibid.
Sakhalin Oblast, Sverdlovsk Oblast, Tomsk Oblast, Tula Oblast, Ulyanovsk Oblast, Khabarovskiy Krai, Chelyabinsk Oblast, and Yaroslavl Oblast.¹⁹

To further bolster India’s FAR interests, an Indian Chief Ministers delegation of four Indian states that included Yogi Adityanath from Uttar Pradesh, Vijay Rupani from Gujarat, Pramod Sawant from Goa and Manohar Lal Khattar from Haryana led by the Commerce and Industry Minister of India, Piyush Goyal, visited Vladivostok from August 12 to 13, 2019 for the first time to explore the opportunities and potentials of business-to-business (B2B) cooperation in the FAR. About 140 Indian companies also participated to strengthen the economic partnership with Russia through investments in the Far East.

The key sectors that were seen as potential areas of cooperation were priority sectors, including minerals and rare earth, energy, forestry and timber, healthcare, agriculture and food processing, ceramics, tourism and infrastructure. Each Chief Minister presented the potentials of their respective states, thus inviting Russia to explore various mechanisms to augment subregional cooperation. For instance: Chief Minister of Uttar Pradesh, Yogi Adityanath, in his address, emphasised collaboration in the field of energy, agriculture and food processing. The Indian state of Uttar Pradesh has emerged an important state in India-Russia bilateral relations. India and Russia concluded the 10th iteration of their INDRA 18 joint exercise on November 28, 2018 which took place at India’s Babina Military Station, near Jhansi in Uttar Pradesh. India and Russia also agreed to launch the joint project in 2019 for the manufacture of AK-203/103 rifles in Amethi in the state of Uttar Pradesh. It is a joint venture between the Ordnance Factories Board (OFB) on the Indian side, and Rosonboron Exports and Concern Kalashnikov on the Russian side.²⁰

The Chief Minister of Haryana, Khattar led the Oil, Gas and Rare Earth Sectors with delegates from national PSUs and was accompanied by senior officials from the Haryana Government.

Eminent business leaders from the state from sectors including agri-business and food processing, technical education, automobile manufacturing, real estate, timber and healthcare called for trade and investment opportunities. In 2019, India and Russia planned to hold the first Bilateral Regional Forum at the level of Russian Provinces and Indian States in 2020 to further enhance cooperation and dismantle the barriers of trade at regional level.\textsuperscript{21}

PM Modi also announced in the 2019 EEF the granting of US$ 1 billion line of credit (LOC) to Russia in the EEF aimed to attract and provide incentives to Indian business community to invest in the FAR. India’s grant of US$ 1 billion LOC, though expected to have a positive outcome in its engagement in the FAR, is far from sufficient given the impact of sanctions on Russia’s economic growth and the need for large-scale investments to execute its ambitious projects in the FAR,\textsuperscript{22} and also given the notable collaboration and investments by extra-regional players such as China. In April 2016, China Railway International Group agreed to provide a loan of RUB 400 billion (US$ 6.2 billion) for the construction of the Moscow-Kazan rail line over a 20-year period.\textsuperscript{23}

THE WAY FORWARD

In 2019, India and Russia announced that the two countries aim to achieve a bilateral trade value of US$ 30 billion by 2025. In order to succeed in this endeavour, subregional cooperation is seen as one of the key focus areas in enhancing economic relations. The growing level of engagement between India and Russia in the Far East has opened up new avenues especially in subregional cooperation which includes shipbuilding, food industry, trade, pharmaceuticals, mining, port development and energy, etc.


The success of subregional cooperation not only depends on the prompt implementation of common interests and measures already agreed to but also includes other variables, especially the involvement of extra-regional players. For instance, External Affairs Minister, S. Jaishankar, during a FICCI virtual event, called for engagement between India and Japan for projects in Russia’s Far East. Russian-Japanese investment cooperation has been in energy sector and in businesses such as agriculture, tourism, healthcare, etc.

The trilateral engagement between India, Japan and Russia is a welcome initiative in the Far East to have a benign effect in enhancing economic relations among these three countries. Interestingly, Prime Minister Modi and Japanese Prime Minister Shinzo Abe had established the Act East Forum to identify specific projects for “economic modernisation” of India’s North Eastern region. Connectivity, developmental infrastructure, industrial linkages, and people-to-people contacts through tourism, culture, and sports-related activities are important components of Japan’s engagement in India’s North East. The strategic location of the North East is also of vital importance as it shares borders with Nepal, Bhutan, China, Myanmar, and Bangladesh. Hence, the strategic location adds further impetus to the two Quad members as Japan’s Free and Open Indo-Pacific Vision aims to ensure that the sea lines of communication in the region remain open and secure and countries stick to a rules-based order, while New Delhi’s ‘Act Far East Policy’, aims to reinvigorate its ties with Southeast and East Asia. Expansion of subregional cooperation between India and Russia in the Far East, with the inclusion of the North East, given Japan’s interests, could further accelerate the economic momentum and trilateral engagement in Russian Far East.

The India-Japan-Russia’s trilateral engagement has therefore enormous potential, a large portion of which remains to be explored. However, one needs to take into consideration the challenges to convert Indian labour migration to the FAR into a long-term asset.

Some of the key challenges include a language barrier, cultural diversity, climatic conditions, variation in business environment, etc. Another challenge is the active presence of Chinese labour force, and that they are a key asset in the development and investment of the Far East, which requires due attention.

With India traversing the potentials of subregional cooperation especially in Russian Far East, both India and Russia need to address the challenges that exist. Geographical distance has been a major impediment in India-Russia economic cooperation. In this context, regional connectivity needs due attention, and in this aspect the successful execution of alternative economic corridors and maritime trade corridor such as the Chennai-Vladivostok needs prompt attention. With the signing of an agreement between the two countries on the construction of the Vladivostok-Chennai Maritime Corridor (VCMC), the precedent is already set for the beginning of a new chapter. Implementation of VCMC would reduce the shipping route distance by half between India and Russia, as against the current Mumbai-St. Petersburg shipping route (Figure 3).

Figure 3: Chennai-Vladivostok Maritime Corridor

Also, the coastal state of Tamil Nadu is one of the leading industrial hubs and the second largest economy in India with a GSDP of US$ 261.86 billion (Figure 4). The state has also conducted Global Investors Meet every year since 2015 to attract foreign investment into the State. Establishing a subregional cooperation with Russia would enhance the State’s economic prospects. The State Government of Tamil Nadu must take cognisance of the developments between India and Russia so far, especially in the VCMC, and chart out a plan for establishing effective subregional cooperation between the state and Vladivostok.

Figure 4: GSDP of Tamil Nadu


As for the successful implementation of VCMC, one of the challenges that needs due attention is that the maritime corridor passes through some of the security hotspots, including the contested South China Sea. Also, China’s growing muscle flexing in the Indo-Pacific could lead to strategic implications for Indian and Russian economic interests through this potential maritime corridor.

Alongside these prospective areas of cooperation, India and Russia may explore the unrealised potential of labour migration.

India’s overall engagement in the region will be significant especially in exploring the prospects of labour migration, for instance, under Russia’s State Migration Policy Concept 2019-2025.26

India is host to some of the largest skilled and unskilled labour migration across the globe. Given the growing demands of Russia in construction of infrastructural projects, agriculture and labour force employed in oil and gas industry operations, labour migration from India is seen as a key factor. However, in order to successfully execute the mutual interests in India-Russia engagement in subregional cooperation, the two countries need to address the challenges such as mitigation of non-acclimatised conditions ranging from weather conditions, marginalisation of foreign manpower due to language barriers. Monitoring the developments in subregional cooperation on a regular basis is crucial in India-Russia’s comprehensive engagement in the Far Eastern region.

Subregional cooperation is an initiative undertaken by India and Russia to further strengthen their economic interests and prospects. This initiative has seen a growing relevance in the partnership as it offers the states and provinces of both the countries opportunities to invest and cooperate in the Far East. The role of the Indian states in enhancing subregional cooperation is crucial to fortify their respective engagement in the Far Eastern region. It is thus a prospective medium for next level cooperation between the two strategic partners, in order to deepen the roots of engagement, enhance people-to-people connect, increase bilateral trade and contribute to the overall growth of India-Russia relations. Monitoring the developments in subregional cooperation on a regular basis is crucial for a comprehensive engagement of India in the Russian Far Eastern region.