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EURASIAN WORLD IN ECONOMIC MEASUREMENT: INVESTMENT POTENTIAL OF RUSSIAN-INDIAN INTERACTION

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Abstract

This article introduces the analysis aimed at evaluating the investment potential of two interacted Eurasian countries: Russia and India. It analyzes the structure of the Indian economy, as well as its investment capacity and trading activity. The study uses the data from open and reliable sources: International Monetary Fund, World Trade Organization, Ministry of Trade and Industry of India, Federal Customs Service of the Russian Federation. The relations' specifics folded between Russia and India can be described with the fact that they are located in the Eurasian world with set local trends. The article provides an assessment of some Indian projects, launched by the Indian companies in Russia, as well as analyzes the prospects of the Indian economy in terms of investing in it. An important point in Russian-Indian economic relations is a trade interaction. In trade terms, parity is observed. The structure of both imports and exports is characterized as diversified. Nevertheless, the levels of trade interaction, as well as investment, remain insignificant, although they demonstrate the potential for growth. The structure of the Indian economy makes it attractive for investment in manufacturing industries, which is reflected in the economic growth rate. However, despite its high growth rates, India remains an agro-industrial country. At the same time, investment activity between Russia and India, on the one hand, is not sufficiently developed; on the other hand, it has some prospects for growth.

Keywords: Eurasia, Russia, India, economy, investments, trade.

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1. Introduction

Attracting foreign investment in the economic system of the Eurasian world is a priority for the government of most countries. In this regard, the assessment of the level of economic development and investment activity is a very relevant topic to research. This article is devoted to assessing the interaction level that currently exists between Russia and India.

India is a federal parliamentary republic that gained independence from Britain on August 15, 1947. In the same year, the diplomatic relations were established between India and the USSR. International relations between countries have always been at a high friendly level. The USSR, and then Russia, made a significant contribution to the development of the modern Indian economy, helping to establish entire industries: energy, metallurgy, medical and pharmaceutical industries, and electronics as well (Bondarenko, 2013).

2. Problem Statement

Modern India is experiencing a period of rapid economic growth, foreign investment is being attracted to the country, and the government is making ambitious plans to develop the economy. In this regard, it seems relevant to assess the economic potential and investment attractiveness of India as a country, enhancing its participation in the global processes of the Eurasian part of the world.

3. Research Questions

This article is devoted to a structural analysis of the Indian economy based on the open-source data, as well as an assessment of its external investment interaction with Russia in the framework of the Eurasian economic world.

4. Purpose of the Study

The aim of this work is to assess the economic potential of India, as well to conduct an analysis of the investment interaction between Russia and India, as strategic partners in the Eurasian world.

5. Research Methods

This article is based on an analytical assessment of modern qualitative and quantitative data. The structure of Indian GDP and the country's investment activity are under analysis. Statistical indicators are taken from the databases of the World Trade Organization, the International Monetary Fund, the Federal Customs Service of the Russian Federation, and the Ministry of Trade and Industry of India.

6. Findings

India is a developing country in which the industrial and agricultural sectors play the leading role. India is the third economy in the world in terms of PPP GDP (China and the USA take first and second places). India is ranked seventh in terms of nominal GDP. Ratings do not look so hopefully when

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calculating GDP per capita, if so, India takes 142 place among the world economies (International Monetary Fund, 2019).

The volume of the Indian economy in 2018 was equal to $2.7 trillion. Calculated at PPP, it is 10.5 trillion US dollars. Indian analysts expect GDP to be $2.97 trillion in 2019, and PPP $11.4 trillion International Monetary Fund. The structure of GDP is represented by the following indicators: agriculture is 15.9%, industry – 29.7%, services – 54.4%.

In 2018, the Indian economy grew by 6.8%. This is the best result among all the BRICS members. However, in 2017, the growth rate was 7.2%. Together with consumer inflation, which is forecasted to be around 3.4% in 2019 (and has been stable at this level for several years), as well as an increase in industrial production by 3.6%, indicators of the Indian economy look more than optimistic (Radhakrishnan, Krishnan, 2019).

In terms of trade, India demonstrates the diversity and variability of partner countries. Its total exports amounted to $330 billion in 2018. Its export has a positive structure: agricultural products – 12.8%, fuel and energy sector – 13.8%, industrial goods – 70.5%, the rest – 2.9%. (World Trade Organization, 2019)

Thus, in spite of insignificant export volumes by world standards, India supplies abroad the industrial goods which require a certain level of technology, investment in human capital development and either they have a high added value.

The main export partners are the European Union (17.4%), the USA (16.1%), the United Arab Emirates (9.6%), Hong Kong (5 %) and China (4.2 %), and export to other countries is 47.8% (World Trade Organization, 2019).

The diversification of supplies of Indian goods reflects the country's desire to develop the economy and national production and acts as the basis for protecting foreign economic relations from a political situation.

India's import in the same year amounted to $514 billion and is represented by the following structure: agricultural products – 8.1%, fuel, and energy – 30%, industrial goods – 51.7%, the rest – 10.2% (World Trade Organization, 2019).

India imports more than it exports. The main importers of India are China (16.6 %), European Union (10.4%), USA (5.7%), UAE (4.9%), Saudi Arabia (4.6%), import from other countries – 57.9% (World Trade Organization, 2019).

According to the official figures, 509 million people are employed in the Indian economy. However, the employment structure in India is difficult to assess for the reason that the majority of the population has dual or family employment. 47% of the population work in agriculture (cf.: about 25% in China), 22% in industry, and 31% in services. The unemployment rate is 6.1%. Almost half of the country's population is engaged in agriculture. Both large plantations and small landowners are involved in this field.

Modern India is able to provide for its food needs. At the same time, Indian agriculture shows low labor productivity due to undeveloped infrastructure, small land plots, undeveloped irrigation systems, and the dependence of agriculture on monsoon seasons (Kozhevnikov, 2008).

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The main food crops are rice and wheat, with rice being grown in the south-eastern part of the Indo-Gangetic Lowland, and wheat – in the western regions. In addition, potatoes and corn are cultivated in India but their production is significantly inferior to traditional cereals.

The main technical crops are sugarcane, cotton, soy, sunflower, coffee, tea, natural rubber, bananas. Sugarcane is used to make sugar and India is one of the largest producers of it.

Livestock in India is represented by various breeds of cows, sheep, pigs, camels, poultry, etc. India takes one of the leading positions in the world in the number of cattle, however, in meat consumption it is significantly inferior to developed and developing countries. This is due to the huge population, low standard of living, as well as the traditional religion – Hinduism – which prohibits the consumption of cows.

The main economic challenge of the Government of India is its transformation into an industrialized country. Indian industry relies on cheap labor force and innovative approaches.

In addition to key industries (coal, oil and natural gas production, production of electricity, oil products, steel, cement and fertilizers), in India, some industries as chemical, pharmaceutical, automobile, electronic and semiconductor are actively developing (Kolgushkina, 2018).

Indian's own oil and gas sector covers only a quarter of the energy demand, which forces India to import these resources from the Gulf countries. At the same time, India is one of the leading electricity producers in the world, using both thermal (69 % of total generation), nuclear (2.1%), hydropower (15.2%), and renewable electricity sources (13%) (Ibragimova, 2017).

Indian-made pharmaceuticals make up 20% of the global market, making India the largest exporter of medicines. The total volume of medicines export amounted to $17 billion (Workman, 2019).

The automotive industry is represented in India by both, own players (Mahindra, Tata Motors, Badzhaj Auto) and foreign investors. India exported cars for $18 billion in 2018 (Workman, 2019).

In modern India, the service sector is a developed sector of the economy involved in the creation of a significant part of GDP. The financial and banking sector makes a significant contribution to GDP – 17%.

Retail trade is also an important industry (22% of GDP, 57% of the labor force for 2016 (including indirect employment) (World travel and tourism council, 2019). Retail is represented mainly by local family businesses, individual entrepreneurship (a shop owner is a seller himself), as well as by street vendors (Table 01, Table 02).

The information technology (IT) sector is one of the most dynamic in India, with 7.7% of GDP in 2017. Outsourcing is an important part of this industry – Indian programmers develop technical and software solutions for the needs of foreign companies (Ashmyanskaya, 2014).

Another thriving service industry is tourism, which accounts for up to 9% of GDP.

In the financial sector, the position of India is stably average. In 2018–2019, the Indian budgeting was 381.3 billion US dollars, and its public debt has amounted to 1.9 trillion US dollars (69% of GDP), and external debt – 543 billion US dollars (Reserve Bank of India, 2019).

Thus, India has a stable credit rating:

according to the agency *Standard & Poor's* – BBB- (foreign), the forecast is stable;

according to *Moody's* – Baa2, the forecast is stable;

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according to *Fitch* – BBB-, the forecast is stable.

Table 01. Investments in India by countries, in million of US dollars (Department for promotion of industry and internal trade, 2019)

Country rating on investments size in India	Country	2016-2017 (April - March)	2017-2018 (April - March)	2018-2019 (April - December)	Accumulated investments (April 2000 December 2019)	% of the total accumulated investment
1	Mauritius	15 728	15 941	6 023	132 408	32%
2	Singapore	8 711	12 180	12 976	79 747	19%
3	Japan	4 709	1 633	2 211	29 519	7%
4	United Kingdom	1 483	847	1,056	26 494	6%
5	The Netherlands	3 367	2 800	2 951	26 433	6%
6	The USA	2 379	2 095	2 342	24 759	6%
7	Germany	1 069	1 124	598	11 420	3%
8	Cyprus	604	417	288	9 861	2%
9	France	614	511	356	6 593	2%
10	UAE	675	1 050	299	6 054	1%
Total		43 478	44 857	33 492	409 268	100%

Table 02. Investment in India by economy sector (Department for promotion of industry and internal trade, 2019)

Country rating on investments size in India	Economy sector	2018-2019 (April - December)	Accumulated investments (April 2000 December 2019)	% of the total accumulated investment
1	Services sector (financial and non-financial)	5 919	70 911	17%
2	Production of computers and software	4 754	35 677	9%
3	Telecommunications	2 290	32 448	8%
4	Civil building	75	24 908	6%
5	Trade	2 336	20 895	5%
6	Chemical production (without fertilizer production)	6 059	20 660	5%
7	Automobile industry	1 812	20 575	5%
8	Pharmacy	216	15 933	4%
9	Electricity	1 000	14 210	3%
10	Infrastructure	1 459	14 005	3%

Russia and India are looking for opportunities to expand investment-based cooperation. Upon the proposal of Indian Prime Minister Narendra Modi, RussiaPlus was created at Investindia agency. It purports to arrange contacts between the Russian Federation and the regions of India. For example, a memorandum of understanding was signed between Sakhalin and the state of Assam (Investindia, 2019).

According to Investindia, Russian private businessmen have invested $1.2 billion in direct investment in India. And this is not about industries as defense, energy, space, where the biggest share of

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investments belongs to state-owned companies. This is about investments in online trading, fashion, and healthcare (Investindia, 2019).

In assessing the possibilities of economic and investment cooperation, the oil and gas industry plays an important role. Russia and India are not connected by logistic flows, sea routes, and gas pipelines. Accordingly, one of the options for investment cooperation is to invest in infrastructure, which is the basis of the industry. In modern Russia, a prospective oil and gas infrastructure has been created and is developing in the east, including such projects as Power of Siberia, Sakhalin-1, Sakhalin-2, etc. These projects provide the foundation for expanding the supply of hydrocarbons to India. Strategically, the most relevant projects are the construction of gas pipelines through the territory of China to the borders of India (Fedyakina & Konovalova, 2014).

Particularly promising, from the point of Indian experts, is the cooperation of the two countries in the field of pharmacy (Shirokova, 2012). In 2018, about 15 Indian pharmaceutical companies worked in Russia. At the same time, about 17 % of all Indian medicines are imported to Russia (Table 03, Table 04).

Although Russia and India are not the most important trading partners for each other, however, their export and import are structurally diversified.

Table 03. Russia's exports to India (Federal Customs Service of the Russian Federation, 2019)

Products groups	**2017**	**2018**
machinery and equipment, vehicles	19.95	27.09
Mineral products	24.71	24.81
Precious metals and stones	16.01	13.88
Products of the chemical industry	11.24	11.59
Wood and pulp-paper products	5.95	5.12
Metals and metal-based products	4.41	4.08
Groceries and agricultural raw materials	2.44	0.86

Table 04. Russian imports from India (Federal Customs Service of the Russian Federation, 2019)

Products groups	**2017**	**2018**
Products of the chemical industry	34.16	30.64
Machinery and equipment, vehicles	18.54	25.26
Groceries and agricultural raw materials	23.02	21.50
Textiles and shoes	13.01	11.19
Metals and metal-based products	6.20	5.88

The structure of trading between Russia and India is quite balanced, however, the total volume of trade is not so large, it amounted to only 10.9 billion dollars in 2018 (Shirokova, 2012).

7. Conclusion

The diversified nature of the Indian economy, combining both the traditional agricultural sector and innovative IT companies, inter alia, the industrial enterprises with a huge domestic market and the government's policy of attracting foreign investment, opens up great prospects for investment cooperation with the Russian Federation, covered scientific, technical and economic cooperation as well. It should be noted that at present investment cooperation between Russia and India the potential of it has not fully revealed.

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