

## Russia, India, and China Alliance – Towards balancing the world order

Ridipt Singh<sup>1</sup>

### Abstract

The global financial order that emerged after the Second World War was primarily western-led with the USA as the center essentially making the international state system a unipolar one. The need for reforms in the global financial order has long been discussed citing the dangers of globalization that became evident after the 2008 global financial crisis and more recently after the Russian invasion of Ukraine in 2022. In response to the sanction being imposed, Russia has taken up initiatives to detach itself from the dollar-based global financial order where China and India are seen as potential partners. The research paper takes up the concept of the Primakov Doctrine and the current Russia-India China (RIC) trilateral as a possible strategic triangle that can counterbalance the western-led global financial order by adopting a common currency.

The study covers the origins of the Primakov Doctrine, the geopolitical dynamics of the past, and possible reasons for its failure in the initial stages. Further, the research focuses on the current RIC format, its limitations, and how it can be transformed into a strategic alliance. The case of the de-dollarization effort is used to argue that it can be a common vision that the three countries can pursue which would act as the foundation for turning the current RIC into a strategic alliance. Taking examples of multilateral platforms like BRICS and SCO, the paper includes the relevance of RIC in the contemporary era in addition to the complications that India is likely to face given its ties with the USA, membership in the Quad, and the possibility of the RIC being perceived as an anti-west coalition.

Using an empirical research approach with qualitative methods using information that is publicly available from secondary sources like academic literature, research articles, and official statements from the government, the research paper addresses the subsequent questions regarding the possibility of the formation of such an alliance and its feasibility. These questions include how can India and China become part of an alliance amidst border disputes, do Russia,

---

<sup>1</sup> Ridipt Singh is a final year student of MA International Studies at Symbiosis School of International Studies, Symbiosis International University, Pune, India.

India, and China qualify as an Optimum Currency Area or whether cooperation is possible without a common currency, what makes the contemporary era conducive for pursuing such economic framework and what implications such developments will have in the context of the Indo-Pacific.

The paper provides policy recommendations based on case studies from other cooperating states and organizations regarding how a monetary union can be formed despite strained relations among states and the required preconditions to make such an initiative successful.

**Keywords:** Primakov Doctrine, India, Russia, China, De-Dollarization, Common Currency, BRICS, SCO.

## **1. Introduction:**

The idea of India, Russia, and China forming a strategic trilateral was first conceptualized by Yevgeni Primakov in 1998 during his visit to India. This idea later came to be known as the Primakov Doctrine. Russian Foreign Minister Sergey Lavrov stated, “the moment Yevgeny Primakov took charge, the Russian Foreign Ministry heralded a fundamental turn in foreign policy” (Denisov, 2017). The idea was a product of the geopolitical dynamics of the time. The post-Cold War era was marked by a unipolar world order and after the disintegration of the Soviet Union, Primakov aimed at enhancing Russia’s stand in the world through this initiative. Initially, the idea was unsuccessful, however, in 2003, foreign ministers of the three nations held a trilateral meeting for the first time. Further independent meetings have been held since 2005 transforming the RIC into a diplomatic brand. Therefore, in the Russian discourse, the RIC is regarded as a dialogue mechanism between the three nations rather than as a strategic triangle because till now the arrangement has not been used to address any common set of objectives (Denisov, 2017).

The Primakov Doctrine marked a shift in Russian Foreign policy from a Westernist to a Statist school of thought. Westernists recognize the West as an advanced civilization and instead of being in conflict, Russia should rather follow it. Statists, on the other hand, believe that Russia should be a strong independent power capable of ensuring safety both from the West and East. In the 1990s, the Westernist school of thought in Russian foreign policy lost prominence. In 1996, Andrei Kozyrev, a westernist was replaced by Primakov, a statist as Minister of Foreign

Affairs. The Primakov Doctrine is essentially a foreign policy approach that seeks a balance of power and multipolarity. As per the doctrine, instead of competing with the USA alone, Russia should align with other major powers to position itself as an indispensable state whose consent is necessary for any major issue faced by the international community. An argument for multipolarity was also made according to which a multipolar world will ensure checks and balances on any unilateral use of power. The Primakov Doctrine has three major components. First is Russian primacy in the post-Cold War era marked by close and strong relations with former Soviet states. The second is opposing the eastward expansion of NATO with constant efforts to weaken the US-led world order. The third component is a partnership with China (Rumer, 2019).

Newly formed Russia held the view that in the post-Cold War era, USA and Russia would be cooperating in world affairs. Instead, Russia faced disappointments on multiple occasions over the years. A large amount of economic assistance from the USA that Russia expected was not met. In 1991, the Warsaw Pact was disbanded and Russia expected the same for NATO. Instead, NATO continued to exist with further eastward expansion toward former Warsaw Pact nations. Russia was also criticized by the USA for its suppression of Chechen rebels in 1999. Further, the USA intervened in Kosovo and Bosnia and conducted bombings in Serbia even though Russia objected to any American intervention in Yugoslavia against Serbia. This led Russia to realize that the USA was taking advantage of their soft approach to expand its influence. Therefore, Moscow decided that it must take a stand against Washington rather than make any further concessions like the 1989 peaceful withdrawal from Eastern Europe and other third-world nations. The American hegemony was opposed by several nations globally which usually included India, China, Iran, Iraq, Syria, Serbia, multiple Commonwealth of Independent States (CIS), and also Germany and France. Since Russia in itself was not strong enough to counterbalance the USA, Primakov hoped that Russia could lead the nations that were against the American hegemony (Katz, 2006). It is in this background that Primakov sought to build a consensus with India and China to counterbalance the USA. At that time, Russia-China relation was moving in the same direction but Moscow held the view that including India in the alliance would increase the appeal of multipolarity and its rule-based liberal democratic ideals would add legitimacy to the alliance (Hsiung, 2019).

An attempt to formally institutionalize the doctrine was made in 1998 when Primakov, proposed cooperation among the three nations during his visit to India. The idea was largely

rejected both by China and India as both nations shared valuable trade ties with the USA. Other reasons included the India-China border issues and the perception that the idea was driven more by Russian ambitions against the West rather than a genuine stride toward cooperation and multipolarity (Hsiung, 2019). India's decision not to affirm the idea was influenced by multiple factors. India at the time did not want to deflect from its non-alignment posture and was concerned that welcoming such an idea would include India into an overt anti-American coalition. India also had reservations regarding sharing a platform with China due to its direct support to Pakistan in Kashmir and continued tensions at the border (Lo, 2017). Due to this, the Primakov Doctrine lapsed and Russia shifted its priorities towards strengthening its bilateral ties with China.

While the original idea of the alliance was ineffective, multiple catalysts led to a revival of the idea. The 2008 financial crisis put the US-led financial system under scrutiny. In response, alternatives to the existing financial order were considered making a non-Western coalition more plausible. Later, between 2011-2012, anti-Putin protests erupted in Russia. The blame was put on the USA for attempting a regime change. In response, Vladimir Putin wrote an article titled 'Russia and the Changing World' which emphasized the role of India and China in the international community. Further, the imposition of Western sanctions upon the Russian annexation of Crimea in 2014 created additional imperatives for pursuing such an alliance (Lo, 2017). All these developments renewed attention to Russia-India-China strategic alliance and put the Primakov Doctrine back on the Russian foreign policy agenda.

Since the RIC in order to function would require cooperation on a larger scale, it is likely that the border dispute would not allow a conducive environment for cooperation. However, India and China are already members of other multilateral platforms along with Russia like the BRICS which constitutes of Brazil, Russia, India, China, and South Africa, and the Shanghai Cooperation Organisation (SCO) which includes Russia, India, and China along with Iran, Pakistan, Tajikistan, Uzbekistan, Kyrgyzstan, and Kazakhstan. These two organisations have been deemed successful institutions that are non-western and have provided a counterbalance to the Western order in the international political system. Therefore, India and China have already been cooperating on multilateral platforms despite their border issues. Further, in the case of ASEAN, the member states have been able to foster cooperation despite multiple bilateral disputes over territorial claims. Although the RIC has been limited in its successes, it is seen as a precursor to the BRICS and SCO. Considering that states are able to cooperate in

a multilateral setting even if bilateral disputes over territorial claims exist, like the member states of ASEAN, India, and China can also cooperate given that there is a convergence of interests and that it would be beneficial to both the countries on a larger scale. The relevance of the RIC in the contemporary era can be justified by the successes of other multilateral platforms like BRICS and SCO since the RIC is said to be the core of both these platforms (Purushothaman, 2018).

In order to transform the current RIC into a strategic alliance, Russia, India, and China will have to address and pursue a common vision. Since the purpose of the Primakov Doctrine was to act as a counterbalance to the US and its allies, the RIC can cooperate on the creation of a monetary framework based on a common currency. This way, providing an alternative to the current financial system, the RIC could expand its role and objectives which till now have been limited to discussions.

After the Russian invasion of Ukraine, Russia was hit by economic sanctions from the West. After Russian banks were removed from SWIFT, Russia put forward the initiative to create its own version of SWIFT. This initiative is likely to get attention from other nations who either seek an alternative to the US-dominated financial system or are under economic sanctions from the West. These circumstances further create opportunities for other powers like India and China to join Russia in the initiative for creating an alternative financial system. If the RIC, institutionalizes itself as a platform for economic cooperation, it can together achieve these objectives of formulating a new non-western economic structure. However, such cooperation between three nations that have completely different approaches to foreign policy, internal affairs, and economic and political philosophy will be met with a number of challenges like converging the national policies of each country and establishment of required institutions. Most importantly, the RIC will possibly be perceived as a coalition that goes against the interests of the West. Further, it would also complicate India's role in the Quad which seeks to contain China's influence in the Indo-Pacific. However, if Russia, India, and China are able to foster cooperation despite territorial disputes like ASEAN, the challenges will be outweighed by what it will achieve in the longer run.

## **2. The current RIC mechanism – Limitations and Scope:**

The 14th RIC foreign ministers' meeting was held on 18 April 2016 in Moscow. The three countries called for a regional security and cooperation architecture that would be open,

inclusive, indivisible, and based on universally recognized principles of international law. The meeting led to a trilateral consensus on the need for further cooperation and building security architecture for the Asia-Pacific. However, to achieve the said goals, the RIC would require close cooperation on top-level design and policy planning (Shuai, 2016). So far, the RIC communiqués have only mentioned statements regarding commitment to UN and international law, condemning international terrorism, and narcotics, and expressing concern on conflicts around the world. Such statements are not unique and are similar to the declaration of BRICS summits. As a result, the utility of RIC is being questioned by Russian observers. Due to this, President Putin himself suggested that the main value of the RIC is as a building block for BRICS (Lo, 2017).

Four major factors have contributed as impediments to gaining momentum for the RIC. First, Russia, India, and China have completely different political systems which remain the biggest barrier to the further development of their trilateral ties. Second, there is a divergence of opinion among the public and elites which further hinders any cooperation among the trilateral. For Russia, the RIC is a geopolitical tool for counterbalancing the West, not a grand strategy. On the other hand, India holds a cautious attitude towards the RIC due to its utilitarian principle and sensitivity to the American perception of India having a closer relationship with Russia and China. Third, security concerns and disputes become obstacles to any cooperation in the RIC. Finally, the RIC will have to solve issues at the operational level, trust deficit, and weak cooperation in non-political domains. Non-political issues like economic and people-to-people exchanges are limited due to huge differences in language, religious beliefs, cultural traditions, etc. Due to the absence of deep cultural and people-to-people exchanges, the RIC lacks mutual understanding and therefore remains vulnerable to the changes in world politics (Shuai, 2016).

#### **a. Addressing the India-China dispute:**

One of the most important factors that hinder the transformation of the RIC from a dialogue mechanism into a strategic alliance is the strained India-China relationship. Therefore, the very first initiative that the three nations must undertake is to address and resolve the border disputes between India and China.

Since both nations have mistrust over each other's intentions, it has created a perception problem. On the Indian side, the perception is that China is insensitive and indifferent to India's core concerns, while the Chinese perceive that India does not reciprocate China's goodwill.

There is a further mismatch of identity perception as well. China does not identify India as a threat and therefore thinks that it is adopting a benign attitude towards India. India on the other hand believes that China does not give an appropriate status to India as a regional power. Unlike China, India does not have any rivalry with the USA nor does it have the global ambition to dominate the world. Hence, China has more to lose from the dispute. China must consider this and give due consideration to India as a major regional power. This would be beneficial for China as well since an antagonistic India will only complicate China's rise in a global political landscape especially when China is subjected to greater suspicion and resistance from the world. Thus, China must ask itself if the strategic and global dimensions of Indo-China relations are weakened to the point that the bilateral disputes are gaining salience. India should also consider the possibilities of policy adjustments toward China in the changing global dynamics (Gokhale, 2021).

Neither China nor India would gain anything from a conflict in the region. Both nations are deep in economic engagements, managing ethnic nationalism and maintaining the legitimacy of the state. Instead, China and India can foster cooperation on issues of arms control, climate change, trade, and labor laws as common ground to counter the Western countries (Malone & Mukherjee, 2010). On 08 September 2022, the Indian Ministry of External Affairs released a statement informing that India and China reached a consensus to disengage their troops in the area of Gogra-Hotsprings i.e., PP-15 in the 16<sup>th</sup> round of the India-China Corps Commander Level Meeting in a coordinated manner which is essential for maintaining peace in the border areas (MEA, 2022). In light of further cooperation between India and China, such developments show a possible way forward for the feasibility of the RIC.

The initiative to revive and transform the RIC into an active strategic alliance can be possible due to multiple political rhetorics that are common among the three nations. Russia, India, and China, all support the idea of a multipolar world. All three nations support an enhanced role of the United Nations, have criticized NATO's expansion towards the East, and hold an uncompromising position regarding violations of national sovereignty as their own territorial integrity has been challenged in Chechnya, Kashmir, and Taiwan (Kuchins). The Eurasia landmass has been witnessing challenges both in traditional and non-traditional security aspects. In this regard, the RIC can serve as a platform to address the security challenges in the regional landscape. Since, Russia, China, and India are culturally and politically different from each other, there exists no pattern of a single political ideology among the three nations.

Therefore, RIC as an alliance would be based solely to fulfil its own strategic interests (Shuai, 2016).

The changes in the global political system can further contribute to the strengthening of the RIC. While emerging powers such as the member nations of the BRICS, experience economic difficulties, the shift of power from Western nations to the East as a trend allows the RIC to create and promote platforms alongside emerging powers or developing states like the BRICS and SCO.

#### **b. Cooperation with existing disputes – the case of ASEAN:**

In the case of ASEAN, the Philippine-Malaysia dispute over Sabah made the founding members realize the need for cooperation and resolution of disputes. In the later years, several bilateral maritime disputes emerged like the South China Sea, the Sulu Seas, the Gulf of Thailand, and other regions. However, ASEAN has been able to function successfully despite the disputes. Other issues like Malaysia-Indonesia dispute over the Sipadan and Ligitan Islands in the Sulawesi Sea and Singapore-Malaysia dispute over the Pedra Branca islands in the South China Sea were resolved through arbitration by the International Court of Justice (ICJ). The willingness to bring in an outside body rather than violent confrontation showcases the commitment of ASEAN towards peace and cooperation. During the Cambodian conflict, Neither Vietnam nor Cambodia was an ASEAN member. However, ASEAN negotiated a settlement, while garnering support against the Vietnamese occupation of Cambodia. Here, it must be noted that while the agreement is called the “Paris Peace Agreement”, no Western nation was involved in the settlement process and the real foundations of the agreement were laid in Bogor and Jakarta.

However, issues and disputes within the ASEAN still exist today. Earlier, ASEAN’s Secretary-General stated that unresolved issues regarding territorial and maritime claims remain the biggest challenge for ASEAN. Further, the land dispute between Cambodia and Thailand which has led to military standoffs is also a serious challenge to ASEAN’s commitment to being a security community. Domestic political factors also become a challenge to ASEAN as was evident in the Thailand-Cambodia conflict. Further, a variety of issues need to be settled like Singapore’s access to Malaysian water and allegations of Malaysian airspace being violated by planes of Singapore’s air force. Singapore and Indonesia landed an agreement on the western maritime boundary but are facing problems over extradition. The Sipadan-Ligitan

island dispute, an ICJ-mandated settlement has also been disrupted by a new issue between Singapore and Malaysia over the claim on Ambalat by Malaysia. In the Pedra Branca dispute, the ICJ settlement recognized Singapore's sovereignty over Pedra Branca, but the Middle Rocks which are just adjacent were awarded to Malaysia. So, it can also be a possible source of friction between Singapore and Malaysia (Acharya, 2013).

The ASEAN Political-Security Community Blueprint mentions Confidence Building Measures and Preventive Diplomacy as important tools of conflict prevention that prevent disputes and tensions that arise among the ASEAN Member States and assist in preventing existing disputes to escalate. The actions included under such measures are regional exchanges among military officials including military academies, defense universities, and staff colleges being organized in the ASEAN Member States, observers of military exercises being exchanged and commensurate with the capabilities of all ASEAN Member States, information regarding the submissions to the UN Register of Conventional Arms being shared, promoting exchanges and visits between defense officials and military training institutions to build trust and mutual understanding, and joint research projects government-affiliated policy institutes and strategic research institutes on defense issues. ASEAN has also promoted the Treaty of Amity and Cooperation in Southeast Asia (TAC), according to which the Member States must refrain from the use or threat of force. The TAC provides a provision for the settlement of disputes through friendly negotiations rather than through threats and the use of force. The blueprint suggests strategies meant for the prevention of disputes arising from within ASEAN. This comprehensive approach by ASEAN suggests an understanding among the Member States regarding the settlement of differences or disputes being regulated by rational, effective, and flexible procedures and by refraining from negative attitudes (ASEAN, 2009).

In ASEAN, we see multiple nations who despite their bilateral territorial disputes have been able to manage and function as an organization. This has only been possible as the member nations had a firm realization regarding the need for cooperation on a larger scale to ensure peace, prosperity, and stability. Therefore, while India and China have their own territorial disputes at the border, that does not suggest that they cannot function together on a larger platform.

### **c. RIC cooperation in BRICS and SCO**

RIC must avoid being confined to a strict trio mechanism and cooperation should happen in a broad context. The three nations already cooperate in other multilateral forums. BRICS and

SCO are two of the most important such institutions as they both aspire to create an alternative to Western-led institutions (Hsiung, 2019). Although RIC in itself has not been a functioning platform, its value as a precursor to the BRICS is recognized. BRICS unlike the RIC has also been able to further develop through initiatives like the Contingency Reserve Arrangement and the New Development Bank. In 2018, Russia ranked sixth, India ranked third, and China ranked first in terms of GDP. In the same year, Russia, China, and India ranked second, third and fourth respectively in terms of military power. It was their similar growth rates that paved the way for the formation of the BRICS in 2009 (Bratersky & Kuttyrev, 2019).

The most important step toward the institutionalization of the BRICS was the establishment of the New Development Bank (NDB). The NDB provided funding for infrastructure development and shared equal voting rights between all five member nations. Unlike the Western-led financial institutions, the NDB ensured access to loans by developing nations without a rigid process. Thus, BRICS showcased an unexpected success in terms of a new form of global governance and cooperation (Bratersky & Kuttyrev, 2019).

The SCO was established with the priority of ensuring security, however, economic cooperation emerged as an objective in the mid-2000s. In 2003, SCO started a program of economic cooperation and multilateral trade. This program initiated over 100 collaborative projects on trade, transportation, finance, energy, and agriculture with the creation of the SCO Interbank Association and the SCO Business Council in consecutive years. Due to the interlinked nature of security and economy, SCO focuses on large-scale infrastructure development projects. The Central Asian region is economically less developed and therefore requires investment for infrastructure development. On the other hand, microeconomic projects are negligible due to concerns that other member nations' economies would not be able to compete with China on the economic front (Aris, 2013).

BRICS focuses on cooperation on non-traditional security challenges while the SCO focuses on traditional security aspects. As Russia, India, and China are a member of both these significant organisations, cooperation in both these platforms covers a broad range of international security issues that are relevant in the emerging multipolar world. Through this, the RIC can further strengthen the discourse for an increased role of non-Western nations in global governance (Shuai, 2016).

### **3. Creating a common currency framework**

One major objective that can transform the RIC into a strategic alliance is cooperating on an economic architecture based on a common currency. After the Russian invasion of Ukraine in 2022, India and China were among the multiple nations that took a neutral stand on the issue. India which has strong bilateral ties with the USA was severely criticized. This decision showcased India's willingness to go against the Western narratives and keep its historical bilateral ties with Russia primary. In response to the restriction of Russian banks from SWIFT, Russia is taking strides to establish its own financial system. While China is already affirmed with the Russian initiative, India is also seen as a potential partner for the same (Liu, 2022).

The primary benefits of a common currency are that it increases price transparency eliminating the difficulty of price comparison in different countries and eliminating the cost of currency conversions. Further, common currencies also encourage inward investment. In the case of the Euro, a large number of consumers in a single market and the Euro being one of the most significant currencies in the world increased the possibility of investments in Europe. One of the major problems in trading with different currencies is the uncertainty of exchange rates which hinders trade, particularly affecting the smaller firms. A single currency zone eliminates this uncertainty encouraging trade within the zone. Establishing a common currency also has its difficulties. Transitioning into a common currency requires short-term costs and executing such a framework requires a single monetary policy with interest rates set for all member countries. There is also a possibility that a single policy will incur differing effects on different countries. A possible roadmap for creating this common currency framework can be found in the Theory of Optimum Currency Areas.

#### **a. Optimum Currency Areas**

The Theory of Optimum Currency Areas (OCA) was set forth by Robert Mundell in an article named "A Theory of Optimum Currency Areas," published in 1961. In the article, Mundell raised the question of what economic criteria can lead multiple regions of the world to adopt a common currency. Mundell using North America as an example questioned the circumstances under which Western Canada and Western USA can create a Western currency or the Eastern parts of Canada and USA can create a common currency only for the East of the continent. This common currency would be governed by a floating exchange rate replacing the Canadian and US dollar.

The Euro serves as a primary example of the adoption of a common currency. The Economic and Monetary Union (EMU) came into effect on 1 January 1999 with initially 11 EU member nations as signatories. Currently, 19 out of 27 European Union member nations have adopted the Euro as the official currency, together forming the Eurozone. Other countries outside the EU like Andorra, Kosovo, Monaco, Montenegro, San Marino, and the Vatican also have Euro as their official currency. Additionally, dependent territories like the Dutch and French overseas territories in the Caribbean, the Indian Ocean, and the Pacific are neither EU nor EMU members but have adopted the Euro. This union aims to develop the internal market of Europe, maintain price levels and keep the currency stable (World Data, n.d.).

After the establishment of the EMU and the adoption of a single currency, the trade costs significantly declined and the integration of trade improved the efficiency of firms in areas of member countries. The integration process also allowed firms in the euro area to increase their competitiveness internationally by setting up cross-border production structures. Further trade with other advanced economies increased at an annual rate of 4% on average while intra-euro trade remained at the same level. Later, the trade that occurred among euro members closed the gap with extra-euro trade after a period of adjustment and increased at a higher rate. Exports from the euro area gained a share in the foreign markets in the first three years after the establishment of the EMU, however, in the following decade, the price competitiveness at the global level slowly declined and stabilized at lower levels. Overall, the adoption of a common currency has enhanced aggregate productivity growth.

Another instance to be considered is a possible common currency for ASEAN. The Asian Financial crisis of 1997 raised two possible situations for the exchange rate problem i.e., a free float or a hard peg. The idea of adopting a common currency by ASEAN emerged in the aftermath of this crisis. In comparison to the EU, ASEAN has favorable factor mobility, relatively high labor as well as capital mobility and ranks high in terms of wage and price flexibility. Further, multiple ASEAN nations have trade-to-GDP ratios and trade-intensity ratios higher than in Western Europe. Most importantly, the intraregional trade in ASEAN is 25 percent which is already higher in comparison to other currency unions like the Eastern Caribbean Currency Union (about 10 percent), the Western Africa Economic and Monetary Union (about 10 percent), and the Central African Economic and Monetary Community (about 3 percent) (Madhur, 2002).

However, regarding the idea of a common currency, both cases need to be considered. In the case of Europe, a common currency was the result of mutual understanding and cooperation. On the other hand, ASEAN countries have been cooperating without a common currency. Therefore, a common currency, although may not be essential, can be a possible and effective way forward for greater economic cooperation. Further, if Russia, India, and China are able to create such a monetary framework, the reactions from the world would be threefold. First, nations that see such a development in opposition to their monetary system will oppose it. For instance, the USA and the EU. Secondly, countries in the geographic area that could benefit from the single currency will join. Finally, some nations will stay neutral on the issue. In a social context, the alliance will have an identity of a non-western power bloc. In an economic context, the common currency and the common central bank will foster results similar to the Eurozone. In a political context, the alliance would be able to counterbalance the West by providing an alternative to the existing financial system.

In the case of the Euro, supporters of the adoption of a common currency advocated that the removal of risks associated with the exchange rate would eliminate the costs of transactions and would increase planning security for trade and investment across the border which would boost the Single Market and increase economic welfare through more competition. The Euro, along with a macroeconomic policy that is oriented towards economic stability will expand the stability further in the region. Further, the Euro meant to increase competition in the Euro area along with the elimination of currency devaluation being used as an emergency exit from economic misalignments would allow structural reforms that would enhance competition, domestic productivity, and growth. However, the fact that a common currency would invite other growth effects with the lowered cost of capital and making the financial market more closely integrated was less appreciated. Finally, the common currency was expected to provide the European Union with a significant presence in the international economy (Regling, Deroose, Felke & Kutos, 2010).

#### **b. Challenges in adopting a common currency for the RIC**

For the RIC, adopting a common currency framework would prove to be challenging not just regarding perception but further social, economic and political. Russia, India, and China, all have different approaches to conducting their foreign policy, internal affairs, and economic engagements. Therefore, it is necessary for them to set and arrange several political and economic preconditions which are required for a common currency to function.

In the case of ASEAN, several factors act as constraints to the adoption of a common currency in the region. Here, the diversity in levels of economic development is very large. Among ASEAN, the richest country i.e., Singapore, has a per capita income close to 300 times that of Myanmar, the poorest country in the group. Further, in the ASEAN-5 i.e., Singapore, Indonesia, Thailand, Philippines, and Malaysia, Singapore's per capita income is about 40 times that of Indonesia. This level of difference is higher than in the members of the EU and is argued that such diversity could make a common currency difficult to sustain. Further, if the co-movement of relative prices and outputs across nations is not high, then even if the member countries have perfectly equal per capita incomes, conducting a common monetary policy for the union is difficult. On the other hand, a common currency is less difficult even with different per capita incomes across countries but their co-movement following an economic shock is very high. Further, a weak banking system could undermine an exchange rate regime such as a common currency, inadequate mechanisms for reserve pooling for the region, and the absence of required regional institutions could also be constraints to the common currency. Hence, ASEAN may qualify the economic conditions for adopting a common currency, but it is yet to develop the required preconditions at the political level. Therefore, if the RIC agrees on creating a common currency, the three nations will need to arrange for the required preconditions for such cooperation (Madhur, 2002).

In the case of the Euro, the integration process was long viewed as a way for participating nations to expand their economic and political clout. Although the public in Europe has largely been inclined towards the EU as many citizens valued their freedom to live, work, and travel anywhere throughout Europe, tension still exists between those members of the EU who want a closer union and those who in order to protect their national prefer the EU to be kept on a more intergovernmental footing. Therefore, some nations in the EU have opted out of certain aspects regarding the integration in the Eurozone and the Schengen area. Additionally, policy preferences of different member countries are often influenced by their varying geographies and histories. For instance, the expansion of the EU towards the East brought many new members who were formerly in the Soviet Bloc during the Cold War which raises concerns regarding the ties of the EU with Russia. It has been questioned whether the further integration of the EU is compatible with its further enlargement. The criticisms go further to the decision-making processes in the EU being very complicated, lacking transparency, and too slow and unwieldy. While the EU welcomes any European country that fulfills the required economic and political criteria for membership, there are concerns among countries that are culturally

distinct regarding the implications of EU expansion on the capacities of EU institutions, finances, and its overall identity. Further observations suggest that as the EU expands encompassing a wider range of countries then further economic integration may be unlikely and that creating a common foreign policy would become more problematic (CRS, 2018).

#### **4. The De-Dollarization Trend**

The discussion regarding de-dollarization started in the year 2000. After the default in 1998, Putin stated that the dollar would not yield any benefits and would make the situation worse, and would also hurt the financial sovereignty. Later, in October 2018, Russian Minister of Finance Anton Siluanov and the Chairman of the Board of VTB Bank Andrey Kostin declared the need for bringing economic reforms which essentially meant a policy to separate from the dollar.

The concept of de-dollarization is the reduction of dependency on the dollar as a currency for international settlements. Further, the use of the US dollar being used for both domestic and foreign trade displaces the national currencies from the turnover, therefore, according to the IMF, while the share of the US in the global economy is 25%, its share in the international gold reserves of the countries is around 63 %. Further, in any event, where the price in the stock market is falling, investors buy other assets which increase the exchange rate of the dollar. This leads to an increased price of the dollar, while the price of the Rouble falls (Gribina & Trushkin, 2020).

In the context of challenging the US dollar, the potential contenders are those with growing influence in the global financial system like the Euro or the Renminbi. Here, it must be noted that there are certain flaws in these two currencies. The performance of the Euro has seen stagnation in the past decades. Further, the financial market of Euro-dominated assets does not have the same depth and size as the US dollar-dominated market which limits the Euro's capacity to challenge the dollar globally. Similarly, the Renminbi also lacks the depth and size of the market dominated by the US dollar. Additionally, Renminbi also lacks a flow of free international capital. Therefore, the general understanding remains that no alternative currency holds the same credibility as the US dollar (Liu & Papa, 2022).

### **a. De-Dollarization initiatives in BRICS**

BRICS hold 24 percent of the global GDP and around 16 percent of global trade and its collective economic power is a challenge to the dominance of the US dollar. Therefore, if BRICS moves away from the dollar, its impact would be worldwide (Liu & Papa, 2022).

In the early literature regarding the collective financial operation of BRICS scholars examined the dynamics of the currency. This literature suggests that BRICS generate a shared common narrative regarding reduction in the dominance of the dollar, however, due to different interests and disagreements any further efforts failed. While scholars have acknowledged the deepening of the financial cooperation of BRICS, there is a disagreement regarding the credibility of initiatives by BRICS to change the current global financial system. The formation of the NDB and CRA are examples of collective mobilization of BRICS towards changing the global financial system, but scholars who are critical of the collective mobilization capabilities of BRICS argue that the grouping's heterogeneity in the polity, economy, and ideology, the power asymmetry among members, and absence of vision regarding the world order which appeals to the international order undermines its collective mobilization capabilities. For instance, the failed attempt by BRICS to create its credit rating agency serves as an example of BRICS' limitations for reforming the global financial order. Further, there also exists a dilemma for BRICS where they prefer to have an alternative to the US dollar, but the depreciation of the dollar decreases the value of the holdings of the assets denominated by the dollar (Liu & Papa, 2022).

### **b. De-Dollarization initiatives from Russia and China**

In 2017, the USA under the Trump administration adopted the Countering America's Adversaries Through Sanctions Act (CAATSA). Russian efforts of de-dollarization increased when companies owned by Russian billionaire Oleg Deripaska were put under sanctions by the US. In this regard, President Vladimir Putin criticized the US for weaponizing finance which was reducing the trust in the dollar as an instrument of universal payment and the primary currency reserve. After Russia invaded Ukraine, Kremlin focused more on securing all financial spheres and the plans for de-dollarization were neglected. Unlike 2014, this plan was focused more on switching to rouble-denominated payments whenever it could. Thus, the move away from the dollar became geoeconomically crucial as evident in the recent demand by Russia for switching to the rouble for payments in the trading of gas with Europe.

The war in Ukraine has presented an opportunity for India and China where they could strengthen their partnership with Russia economically and go ahead with creating an alternative financial system. Since, both India and China did not condemn Russia for the war in Ukraine, this could also indicate a possibility of India and China emerging as key partners in the de-dollarization efforts. Before the invasion of Ukraine, Russian banks had limited dealings in Yuan but after the invasion, the Russian banks started using Yuan with great enthusiasm (Shagina, 2022).

China's vision of de-dollarization started with the development of its system called the Cross-Border Interbank Payment System (CIPS). In the year 2020, both Russia and China have reduced their dollar-based exchanges by 50% and could also make other compatible alternative systems to SWIFT. China has been working towards the long process of moving away from the dollar as President Xi Jinping envisions a strong economy and financial relevance for China (Pedraz, 2022).

China has started to use Yuan for its payments for Russian coal with other commodity producers also shifting to Yuan. In this regard, China has not denied the possibility of using Roubles or Yuan for trade in the energy sector with Russia. Such an agreement also existed during the Soviet era when payments were facilitated in national currencies. Russia and India have increased the use of their national currencies for bilateral trade since 2014. As a result, the trade in national currencies between the two countries rose from 6% to 30%. Since the Russian invasion of Ukraine, India and Russia have come up with an alternative platform for transactions that would facilitate trade in rupees and roubles. This new system would be set up between India's Reserve Bank of India (RBI) and Russia's VEB (Shagina, 2022).

Regarding the Russian invasion of Ukraine, there exists a major flaw in the assessments by Western countries. A more accurate assessment comes from Hudson Lockett in an article in the Financial Times which shows the ongoing war in Ukraine as a move that will accelerate the trend of de-dollarization. This trend is a goal for Russia and China while certain actions by the Indian government and the business community suggests a willingness to participate in this trend (Caldararo, 2022).

##### **5. RIC in the context of Indo-Pacific:**

In discussions regarding the RIC, India's membership in the Quad cannot be ignored. The revival of the Quad from its nascent stage is attributed to China's growing assertiveness in the

Indo-Pacific. Despite the efforts not to project the Quad as an anti-China alliance, its establishment is understood as an attempt to contain the growing Chinese influence. The term Indo-Pacific, unlike Asia-Pacific, recognizes India as a rising power and its role in the balance of power in Asia in the future. Additionally, India's credentials as a democracy and affirmation of rules-based order offer assurance to other Quad nations. Further, the recognition of India's influence and the need for its cooperation to uphold freedom of navigation and overflight is aligned with India's ambitions (Chaudhury & de Estrada, 2018).

While the Quad allows a platform for India to further expand its influence in the Indo-Pacific and counterbalance China in the region, it is also likely to create disadvantageous circumstances for India-China relations as well. The grouping can revamp tensions between India and China which would affect cooperation in other multilateral platforms like the BRICS and SCO. Therefore, it is most favorable to India that the Quad is not reduced to an anti-China alliance. Among the Quad members, India is the only country that shares borders with China and has experienced military standoffs. Therefore, India needs to make sure not to create circumstances that would lead to military aggression between the two countries (Pant, 2022).

India's commitment to the RIC can be viewed as a breakaway from the Quad. However, the economic cooperation in the RIC will only be a component of its multi-alignment approach to create an alternative financial system. The monetary framework of a common currency would be limited to purely economic grounds and will have no overlapping of interests with the Quad initiatives in the Indo-Pacific. Therefore, to avoid any complications in this context, the RIC will have to be very careful regarding its perception.

## **6. Policy Recommendation:**

In order to transform the RIC into an effective platform of economic cooperation, multiple policies need to be enacted.

- Firstly, it must be noted that India and China are partners in trade and have been able to keep their economic engagements intact despite the issue. Here, both India and China need to realize the importance of cooperation on larger issues. Lessons can be drawn from other multilateral forums like the BRICS and SCO where India and China have already been cooperating on a larger scale. For this, greater economic cooperation through the RIC can be used as an incentive to avoid any further military standoffs.

- Second, the idea of the trilateral was a failure since both India and China were particular about not appearing to join a coalition that is anti-West. Further, India's membership in the Quad and its vision of ensuring a free and open Indo-Pacific can also act as a hurdle to the RIC as the Quad is largely seen as a coalition to contain China in the region. This is a concern that still exists today. Therefore, it must be made clear that the RIC is an economic forum and has no overlapping with other initiatives in the region. For this, communication at the political level needs to be very clear about the monetary framework to avoid any misperception.
- Third, Russia, India and China will have to reach the necessary preconditions required for a common currency. These preconditions are economic, political, social and institutional. Therefore, the three nations will have to ensure that the political rhetoric and favour of the people are aligned with the integration along with the creation of the institutions necessary for economic integration.
- Fourth, the adoption of a common currency needs to happen gradually through a series of policy initiatives. In the case of the Euro, the member states ensured free movement of capital among member states, followed by converging economic policies and cooperation between the central banks of the member countries, and then implemented the common monetary policy. For instance, the EMU was created in response to economic instability at the macro level. With the foundation of the EU, the member nations were set forward for creating a "common market" for trade. Later it became apparent that closer economic cooperation was needed for the European economy to develop which led to active steps toward ensuring economic stability at the macro-level and avoiding disruptions to the Single Market. Finally, the monetary integration in Europe with a single currency was enshrined in the Maastricht Treaty of 1992.
- Finally, the RIC in its current stage has only seen success regarding the creation of other platforms like the BRICS and SCO which have been successful non-Western multilateral institutions. Here, the RIC can further extend its cooperation on economic agendas on a much larger scale beyond Russia, India, and China if it aligns its objective with platforms like the BRICS and the SCO.

## **7. Conclusion:**

When Yevgeni Primakov proposed the idea of a strategic trilateral consisting of India, China, and Russia, he envisioned a coalition consisting of non-western allies led by Russia to counterbalance the influence of the USA in global affairs. At the time, factors like the India-China dispute and relations with the West led to its failure. Presently, although the three countries still meet on a regular basis, it has been limited to a discussion group and is credited with being the precursor to successful non-Western platforms like the BRICS and SCO. This indicates that India and China despite their border disputes are already cooperating on a larger scale. However, the transformation of the RIC into a platform for economic cooperation would require greater cooperation among the three countries.

The choice of the means of payment in cross-border transactions had been a priority in international monetary architecture in the past. However, after the Bretton Woods Regime collapsed in the early 1970s, it got a non-priority status. When President Richard Nixon announced the end of the dollar's convertibility into gold, a new global monetary framework was made in which private banks could make international payments in the national currencies of the so-called 'strong' currency countries instead of gold exchanges by central banks. With this decision, the value of the US dollar was allowed to float i.e, its value is determined by the shifts in the demand and supply of the currency. There has been an assumption that the euro with increasing its shares in the international system, will continue the ongoing strong-currency regime, however, Europe is unlikely to continue that trend. If no other country or region takes change to provide the other countries to earn a preferred reserve currency, a national currency-based international monetary system will cease to continue. With the dollar being the key currency, countries with well-developed markets were able to promote growth and maintain liquidity. However, the less developed market has experienced shocks similar to the experiences under the gold standard and through the Second World War. Upon the invasion of Ukraine by Russia and the sanctions that are being put on Russia, there exists an opportunity to balance the world order if the RIC cooperates on creating an alternative financial system. This way, the RIC could function as a platform for economic cooperation.

It must be noted that factors that led to the failure of the Primakov Doctrine in the first place still exist today, especially the India-China border dispute. Among the RIC, Russia enjoys cordial relations with both China and India. However, tense relations between India and China are perhaps the biggest obstacle to a successful RIC. As of now, the negotiations between India

and China regarding their border dispute at the LAC have largely been at a standstill. Further, China's expansionist approach and intrusion add to the mistrust India has regarding China. These mistrusts have led to complicated India-China relations. A successful RIC would require greater cooperation between India and China since the existing mistrust and disputes only negate the feasibility of the RIC as an efficient platform. Therefore, it is important that the benefits of cooperating with China on a larger scale are discussed in negotiations and the economic benefits are incentivized for cooperation.

India and China have already been cooperating in BRICS and SCO and a monetary framework based on a common currency will act as an objective that the RIC can pursue as a trilateral. Since an initiative of this kind is likely to create a perception of it being an anti-West coalition, therefore, it is crucial that the RIC has no overlapping interests with other initiatives.

## References

- Acharya, A. (2013). *ASEAN 2030: CHallenges and Building a Mature Political and Security Community*. Retrieved from Asian Development Bank Institute: <https://www.adb.org/sites/default/files/publication/156296/adbi-wp441.pdf>
- Aris, S. (2013, December). *Mapping Multilateralism in Transition*. Retrieved from International Peace Institute: [https://www.ipinst.org/wp-content/uploads/publications/ipi\\_e\\_pub\\_shanghai\\_cooperation.pdf](https://www.ipinst.org/wp-content/uploads/publications/ipi_e_pub_shanghai_cooperation.pdf)
- ASEAN. (2009). *ASEAN Political-Security Community Blueprint*. Retrieved from ASEAN: [https://asean.org/wp-content/uploads/2021/03/APSC\\_BluePrint.pdf](https://asean.org/wp-content/uploads/2021/03/APSC_BluePrint.pdf)
- Bratersky, M., & Kuttyrev, G. (2019). BRICS and the Evolving Russia-India-China Security Agenda. *Strategic Analysis*.
- Caldararo, N. L. (2022). Putin, China, Invasions in Europe and De-Dollarization: Fighting a Longer War. *SSRN*.
- Denisov, I. (2017). Russia-India-China Triangle - From Russian Perspective. *11th Berlin Conference on Asian Security (BCAS)*. German Institute for International and Security Affairs.
- Dongxiao, C., & Shuai, F. (2016). *The Russia-India-China Trio in the Changing International System*. Retrieved from World Scientific: <https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&cad=rja&uact=8&ved=2ahUKEwj3r8Lg26z5AhVch-YKHc02BtwQFnoECAQQAQ&url=https%3A%2F%2Fwww.worldscientific.com%2Fdoi%2Fpdf%2F10.1142%2FS2377740016500275&usg=AOvVaw3HDVG0Q5SM8jvExt4sKJS8>

- Estrada, K. S., & Chaudhury, R. R. (2018). *India, the Indo-Pacific and the Quad*. Retrieved from Researchgate:  
[https://www.researchgate.net/publication/325490836\\_India\\_the\\_Indo-Pacific\\_and\\_the\\_Quad](https://www.researchgate.net/publication/325490836_India_the_Indo-Pacific_and_the_Quad)
- Gokhale, V. (2021). *The Road from Galwan: The Future of India-China Relations*. Retrieved from Carnegie India: <https://carnegieindia.org/2021/03/10/road-from-galwan-future-of-india-china-relations-pub-84019>
- Gribina, E., & Trushkin, G. (2020). *Dedolarization as an indicator of the Formation of National-Oriented Public Policy*. Retrieved from Atlantic Press: <https://www.atlantispress.com/proceedings/iscfec-20/125936575>
- Hsiung, C. W. (2019). *A tenuous trilateral?* Retrieved from Swedish Institute of International Affairs: <https://www.ui.se/globalassets/ui.se-eng/publications/ui-publications/2019/ui-brief-no.-1-2019.pdf>
- Kate Sullivan de Estrada, R. R.-C. (2018). *India, the Indo-Pacific and the Quad. Survival*.
- Katz, M. N. (2006). Primakov Redux? Putin's Pursuit of "Multipolarism" in Asia. *Demokratizatsiya The Journal of Post Soviet Democratization*.
- Kuchins, A. C. (n.d.). *Russia's Relations with China and India: Strategic Partnerships, Yes; Strategic Alliances, No*. Retrieved from Demokratizatsiya: [https://demokratizatsiya.pub/archives/09-2\\_Kuchins.PDF](https://demokratizatsiya.pub/archives/09-2_Kuchins.PDF)
- Liu, Z. Z., & Papa, M. (2022). *Can BRICS De-dollarize the Global Financial System?* Retrieved from Cambridge University Press:  
<https://www.cambridge.org/core/elements/can-brics-dedollarize-the-global-financial-system/0AEF98D2F232072409E9556620AE09B0>
- Lo, B. (2017). *New Order for Old Triangles? The Russia-China-India Matrix*. Retrieved from French Institute of International Relations:  
<https://www.ifri.org/en/publications/notes-de-lifri/russieneivisions/new-order-old-triangles-russia-china-india-matrix>
- Madhur, S. (2002). *Costs and Benefits of a Common Currency for ASEAN*. Retrieved from Asian Development Bank:  
<https://www.adb.org/sites/default/files/publication/28307/wp012.pdf>
- MEA. (2022, September 08). *Disengagement at PP-15*. Retrieved from Ministry of External Affairs, India: <https://www.mea.gov.in/press-releases.htm?dtl/35688/Disengagement+at+PP15>
- Mukherjee, R., & Malone, D. (2010). *India and China: Conflict and Cooperation. Survival*.
- Pant, H. V. (2022, March 18). *India and the Quad: Chinese belligerence and Indian resilience*. Retrieved from Melbourne Asia Review:  
<https://melbourneasiareview.edu.au/india-and-the-quad-chinese-belligerence-and-indian-resilience/?print=pdf>

- Pedraz, B. R. (2022). *Economic War against Russia*. Retrieved from Spanish Institute for Strategic Studies:  
[https://www.ieee.es/Galerias/fichero/docs\\_opinion/2022/DIEEEEO58\\_2022\\_BELROM\\_Rusia\\_ENG.pdf](https://www.ieee.es/Galerias/fichero/docs_opinion/2022/DIEEEEO58_2022_BELROM_Rusia_ENG.pdf)
- Purushothaman, U. (2018, December). *Why RIC is as important to India as JAI and BRICS*. Retrieved from Observer Research Foundation: <https://www.orfonline.org/expert-speak/why-ric-is-as-important-to-india-as-jai-and-brics-46213/>
- Regling, K., Deroose, S., Felke, R., & Kutos, P. (2010). *The Euro After Its First Decade: Weathering the Financial Storm and Enlarging the Euro Area*. Retrieved from Asian Development Bank Institute:  
<https://www.adb.org/sites/default/files/publication/156060/adbi-wp205.pdf>
- Rumer, E. (2019). *The Primakov (Not Gerasimov)*. Retrieved from Carnegie Endowment for International Peace: <https://carnegieendowment.org/2019/06/05/primakov-not-gerasimov-doctrine-in-action-pub-79254>
- Shagina, M. (2022, May). *Western Financial Warfare and Russia's De-Dollarization Strategy*. Retrieved from Finnish Institute of International Affairs:  
[https://www.fiia.fi/wp-content/uploads/2022/05/bp339\\_western-financial-warfare-and-russias-de-dollarization-strategy.pdf](https://www.fiia.fi/wp-content/uploads/2022/05/bp339_western-financial-warfare-and-russias-de-dollarization-strategy.pdf)
- The European Union: Ongoing Challenges and Future Prospects*. (2018). Retrieved from Congressional Research Service:  
<https://crsreports.congress.gov/product/pdf/R/R44249/17>
- World Data. (n.d.). *Members of the EMU: Economic and Monetary Union*. Retrieved from World Data: <https://www.worlddata.info/trade-agreements/emu-economic-and-monetary-union.php>