



Russia-India Bilateral Trade

For Prelims: Russia-India Inter-Governmental Commission Meeting, [Trade Imbalance](#), [Oil](#), [Fertilizers](#), [Indo-Pacific region](#).

For Mains: [Russia-India](#) Bilateral Trade.

Why in News?

Recently, Russia's Deputy Prime Minister has attended the **24th Russia-India Inter-Governmental Commission (IGC) meeting** in India.

- Russia has expressed its interest in **importing manufacturing equipment**, including machinery, from India to replace those of Western origin.



What are the Key Highlights of the Meeting?

- Both countries reviewed the defense cooperation between India and Russia, which has been facing challenges related to deliveries and payments due to the [ongoing war in Ukraine](#).
- The two countries discussed the **plans that India has for Russia's far eastern region**, which is an essential part of Russia's strategy in the [Indo-Pacific region](#).
- They held discussions on bilateral trade efforts and the **identification of new industrial points that would provide additional impetus** for trade between the two countries.
 - Balance of trade currently **tilts in favor of Russia**, and hence, the two sides discussed **ways to bring more balance** in trade relations.
- Both sides also discussed a wide range of issues related to bilateral trade, economic, and humanitarian cooperation.

- These discussions covered many areas of mutual interest, including those related to **technology, energy, healthcare, and education.**

What is the Status of India-Russia Trade Ties?

- India's total bilateral trade with Russia stood at ~USD 13 Billion in **2021-22 and USD 8.14 Billion in 2020-21.**
- Russia is India's **seventh biggest trading partner**, up from **25th position in 2021.**
 - The US, China, UAE, Saudi Arabia, Iraq, and Indonesia were the **six countries that recorded higher volumes of trade with India** during the first five months of 2022-23.

What are the Concerns Related to Bilateral Trade?

- **Trade Imbalance:**
 - India's **Imports from Russia** accounted for **USD 17.23 Billion**, while India's exports to Moscow were only worth **USD 992.73 million**, resulting in a **negative trade balance** of USD 16.24 Billion in 2020-21.
 - Russia's share in India's total trade has **increased to 3.54%, up from 1.27% in 2021-22.**
 - While Russia's share in India's total trade was **2.1% in 1997-98**, it has hovered below 2% for the last 25 years.
- **Factors Causing Trade Imbalance:**
 - The sudden jump in imports from Russia, **mainly oil and fertilizers**, which began to surge earlier in 2022, is the **main driver behind this increase in bilateral trade.**
 - **Petroleum oil** and other fuel items **accounted for 84% of India's total imports** from Russia, while **Fertilizers were second.**
 - Together, fertilizers and fuel accounted for **over 91% of the total imports** from Russia this year.

How can Trade Imbalance Between Russia and India be Addressed?

- **Indian Export to Russia:**
 - Both the countries are looking to increase Indian imports, particularly in the **machinery sector**, where India has advanced production capabilities.
- **Rupee-Ruble Mechanism:**
 - One of the challenges facing the trade relationship is payments, logistics, and certifications. Both sides are in talks to resort to the **Rupee-Ruble mechanism** to safeguard bilateral trade from the impact of western sanctions.
- **New Industrial Points:**
 - Both are looking to identify new industrial points that can give additional impetus for trade, and to negotiate a **Free Trade Agreement.**

What are the Different Aspects of Indo-Russia Relations?

- **Historical Background:**
 - During the **Cold War**, **India and the Soviet Union** had a strong strategic, military, economic and diplomatic relationship. After the Dissolution of the Soviet Union, Russia inherited its close relationship with India which resulted in both nations sharing a Special Strategic Relation.
 - However, the relations have taken a steep downfall over the past few years, especially in the post-Covid scenario. One of the biggest causes for this is **Russia's close relations with China and Pakistan**, which have caused many geopolitical issues in the past few years for India.
- **Political Relations:**
 - Two Inter-Governmental Commissions – **one on Trade, Economic, Scientific, Technological and Cultural Cooperation (IRIGC-TEC), and another on Military-Technical Cooperation (IRIGC- MTC)**, meet annually.
- **Defence and Security Relations:**

- Both countries regularly conduct the Tri-Services exercise '**INDRA**'.
- The joint military programmes between India and Russia include:
 - **BrahMos cruise missile programme**
 - 5th generation fighter jet programme
 - Sukhoi Su-30MKI programme
- The military hardware purchased/leased by India from Russia includes:
 - **S-400 Triumph**
 - **Kamov Ka-226 200 to be made in India under the [Make in India initiative](#)**
 - **T-90S Bhishma**
 - **INS Vikramaditya aircraft carrier programme.**
- **Nuclear Energy:**
 - Kudankulam Nuclear Power Plant (KKNPP) is being constructed within the scope of the Russia-India Inter-Governmental Agreement.
 - Both India and Russia are implementing Rooppur Nuclear Power Project in Bangladesh.

Conclusion

- A multi-pronged approach that focuses on diversification, promotion of exports, negotiation of better trade deals, expansion of economic cooperation, and addressing structural issues **can help address the trade imbalance between India and Russia.**

UPSC Civil Services Examination Previous Year Question (PYQ)

Prelims

Q. Recently, India signed a deal known as 'Action Plan for Prioritization and Implementation of Cooperation Areas in the Nuclear Field' with which of the following countries? (2019)

- (a) Japan
- (b) Russia
- (c) The United Kingdom
- (d) The United States of America

Ans: (b)

Mains

Q. What is the significance of Indo-US defence deals over Indo-Russian defence deals? Discuss with reference to stability in the Indo-Pacific region. (2020)

Source: TH