

INDIA'S TRADE RELATIONS WITH RUSSIA: RECENT TRENDS AND POTENTIAL



EXPORT-IMPORT BANK OF INDIA

WORKING PAPER NO. 79

**INDIA-RUSSIA TRADE RELATIONS:
RECENT TRENDS AND POTENTIAL**

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1. AN OVERVIEW OF THE RUSSIAN ECONOMY

Russia is an upper-middle income country, spanning across two continents viz. Europe and Asia covering an area of 17,075,400 sq. km, with a population of 144 million. The Russian economy has endured significant changes ever since the breakdown of the Soviet Union, and has been evolving into a market-based economic system from an erstwhile centrally planned economy. Economic reforms in the 1990s privatized most industry, with notable exceptions in the energy, transportation, banking, and defence-related sectors. Presently, Russia produces 17.3 percent of world's total natural gas and 12.2 percent of world's oil, making it one of the world's leading producers of oil and natural gas. Russia is also a top exporter of metals such as steel and primary aluminium.

In 2017, Russia's economic growth rebounded, with GDP growing by 1.5 percent (**Table 1.1**), as compared to the two consecutive years of negative growth rate witnessed in 2015 & 2016. The decline in growth was essentially due to volatility in the commodity prices and Russia's substantial reliance on commodity exports. However, a recovery in retail and wholesale trade, transportation and real estate, supported by household consumption, which increased on the back of rising real wages, deepening macro-economic stability and gradual monetary loosening leading to increasing demand for consumer credit, led to a

revival of Russia's economic growth. Further, the government's support for import substitution has also increased recently in an effort to diversify the economy away from extractive industries, in order to make the economy less vulnerable to commodity price fluctuations.

The official currency of Russia is the Rouble (Rb). The rouble is highly correlated with the oil price, and therefore, any rapid fall or rise in the oil price results in greater volatility in the exchange-rate. Accordingly, when the oil prices fell, the exchange rate depreciated rapidly. However, as a result of higher oil prices and relatively tight monetary policy in 2017, the rouble appreciated to Rb 58.3: US\$ 1, from Rb 67.1: US\$ 1 in 2016. The average consumer price inflation moderated to 3.7 percent in 2017, as against 7 percent recorded in 2016 as a result of strong harvest and stabilization of the currency. The fiscal deficit also narrowed sharply in 2017, to 1.4 percent of GDP, down from 3.4 percent of GDP in 2016, on the back of higher average oil prices, the implementation of a fiscal rule and cuts in real expenditure. Russia enjoys a favourable current account surplus of US\$ 40.2 billion in 2017, which is expected to increase to US\$ 76.8 billion in 2018, on account of rising oil prices. The Russian economy is forecasted to grow at an average rate of 1.7 percent during the period 2018-20.

Table 1.1: Russian Economy: Select Indicators

Indicators	2014	2015	2016	2017	2018 _f	2019 _f
Real GDP Growth (%)	0.7	-2.5	-0.2	1.5	1.7	1.5
Nominal GDP (US\$ billion)	2063.7	1368.4	1281.3	1527.5	1719.9	1754.3
GDP Per capita (US\$)	14354.8	9510.2	8900.0	10608.2	11946.7	12191.3
Inflation, average consumer prices (%)	7.8	15.5	7.1	3.7	2.8	3.8
Population (million persons)	143.8	143.9	144.0	144.0	144.0	143.9
Exchange rate Rb:US\$ (average)	38.4	60.9	67.1	58.3	602	59.4
Current account balance (% of GDP)	2.8	5.0	2.0	2.6	4.5	3.8
Current account balance (US\$ billion)	57.5	68.8	25.5	40.2	76.8	67.3

Source: IMF, Economist Intelligence Unit

Services sector dominates the Russian economy, accounting for 62.3 percent of GDP in 2017, followed by industry (32.4 percent) and agriculture (4.7 percent). Russia is endowed with a wide array of natural resources including major deposits of oil, coal, natural gas, diamonds and timber. However, tough climatic conditions, terrain, and distance deter harnessing the full potential of natural resources.

Major agricultural products in the country include grains, vegetables and fruits, beef, and milk, among others. Major industries in Russia include mining industry; machine tools sector; defence industry; transportation equipment; communications equipment; agricultural machinery; electric power generating and transmitting equipment; and medical and scientific instruments, among others (**Table 1.2**).

Table 1.2: Major Natural Resources, Agriculture Products and Industry Sectors in Russia

Agricultural Products	<ul style="list-style-type: none"> • Grains • Sugar beets • Sunflower seeds • Vegetables and fruits • Beef • Milk
Natural Resources	<ul style="list-style-type: none"> • Deposits of Oil • Natural gas • Timber • Coal and many strategic minerals • Reserves of rare earth elements
Industries	<ul style="list-style-type: none"> • Mining and extractive industries producing coal, oil, gas, chemicals, and metals • Machine tools industries including rolling mills, manufacturing high -performance aircraft and space vehicles • Defence industries including production of radar, missile production, advanced electronic components, shipbuilding • Transportation equipment including road and rail transportation equipment • Communications equipment • Agricultural machinery such as tractors • Construction equipment • Electric power generating and transmitting equipment • Medical and scientific instruments • Consumer durables • Textiles • Foodstuffs • Handicrafts

Source: CIA World Factbook

Russia in Regional Groupings

Russia participates in the Eurasian Economic Union (EAEU), which it launched with Belarus and Kazakhstan in 2015; Armenia and the Kyrgyz Republic joined later that year. The EAEU aims to establish a regional common market with harmonized customs duties, import taxes and tariffs. EAEU's main achievement to date is the EAEU Customs Code, which entered into force on January 1, 2018, and aims to simplify customs operations, particularly by

requiring customs declarations to be made electronically, and creates a single point of contact between operators and the bloc's member states.

Additionally, Russia is a member of the G20, the ASEAN Regional Forum, the Asia Pacific Economic Cooperation (APEC) grouping, the East Asia Summit, the Asia Europe Meeting and Black Sea Economic Cooperation (BSEC), among others. Russia is also a permanent member of the UN Security Council and a member of the BRICS Forum.

2. AN OVERVIEW OF RUSSIA'S INTERNATIONAL TRADE AND INVESTMENTS

Russia's International Trade

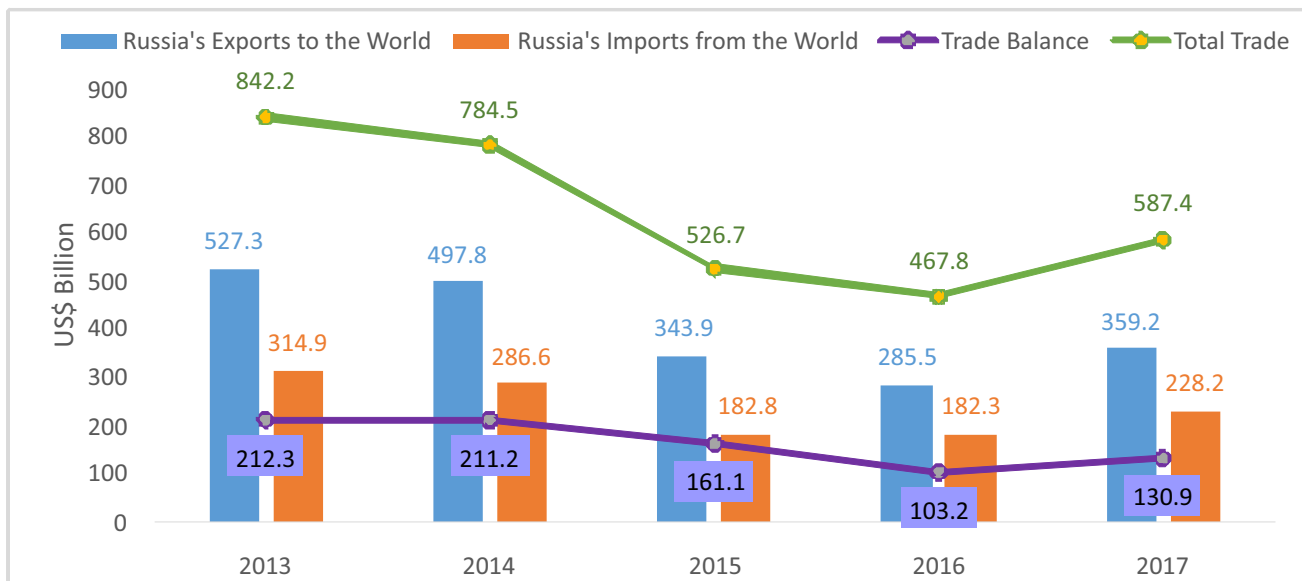
Russia's terms of trade have been fundamentally sound for a long period of time. However, the country's significant reliance on oil-and-gas exports to global markets has made it highly vulnerable to price shocks. Owing to lower oil prices, Russia's total merchandise trade moderated for three consecutive years in 2014, 2015 and 2016. However, in 2017, trade revived and increased to US\$ 587.4 billion, from US\$ 467.8 billion in the previous year (**Figure 2.1**).

Merchandise exports from Russia increased to US\$ 359.2 billion in 2017, up from US\$ 285.5 billion in 2016, while merchandise imports also increased to US\$ 228.8 billion in 2017 as compared to imports of US\$ 182.3 billion in 2016. Russia has been maintaining a trade surplus since 1990, essentially due to its energy exports, particularly oil. After three

consecutive years of decline, Russia's trade surplus witnessed an increase by 26.8 percent in 2017, amounting to US\$ 130.9 billion, as compared to a trade surplus of US\$ 103.2 billion in 2016.

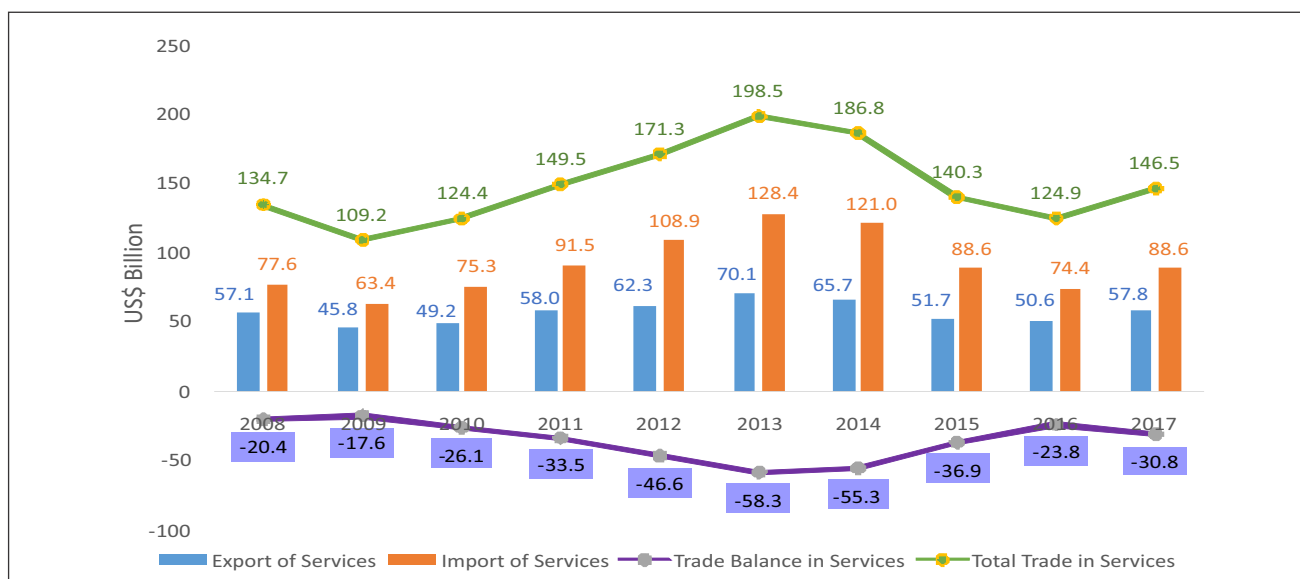
At the same time, Russia's trade in services, although relatively smaller when compared to merchandise trade, also followed a similar trend in the recent years, peaking in 2013 at US\$ 198.5 billion, followed by three consecutive years of declining trade (**Figure 2.2**). Russia's services exports stood at US\$ 57.8 billion and its services imports amounted to US\$ 88.6 billion in 2017. While Russia's merchandise trade balance has historically remained in surplus, Russia's services trade balance, on the contrary, has remained in a deficit over the years and increased to US\$ 30.8 billion in 2017, up from US\$ 20.4 billion in 2008, peaking in 2013 at US\$ 58.3 billion.

Figure 2.1: Russia's Merchandise Trade (US\$ Billion)



Source: ITC, Geneva and Exim Bank Analysis

Figure 2.2: Russia's Trade in Services (US\$ Billion)



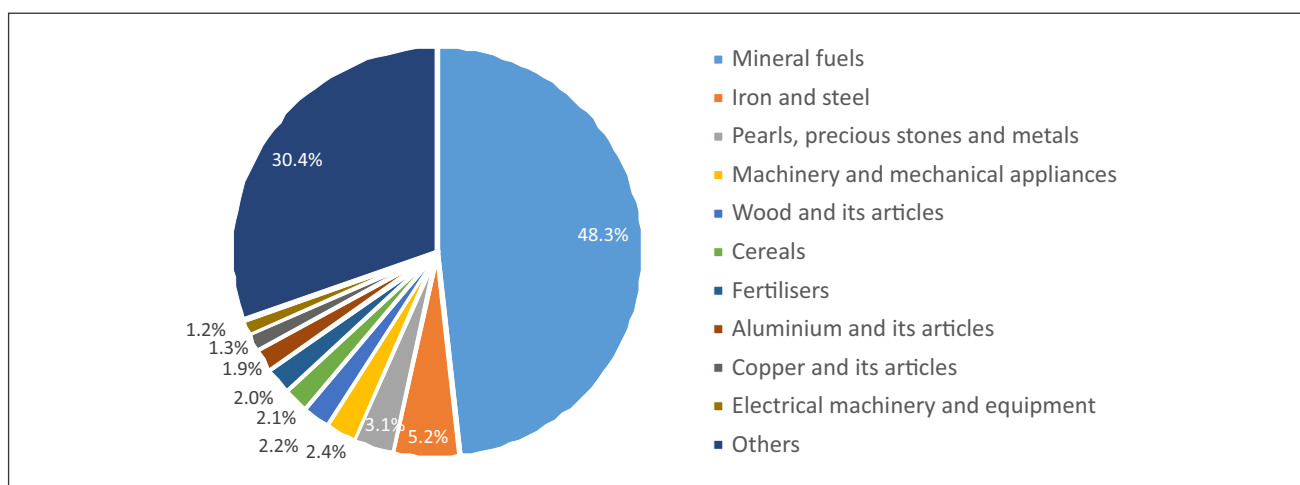
Source: UNCTAD

Composition of Trade

Russia exports consist of mostly raw materials, particularly oil and gas, metals and chemicals, which it possesses in abundant quantities. Exports of mineral fuels accounted for nearly half of Russia's total exports in 2017. Other major exports from the

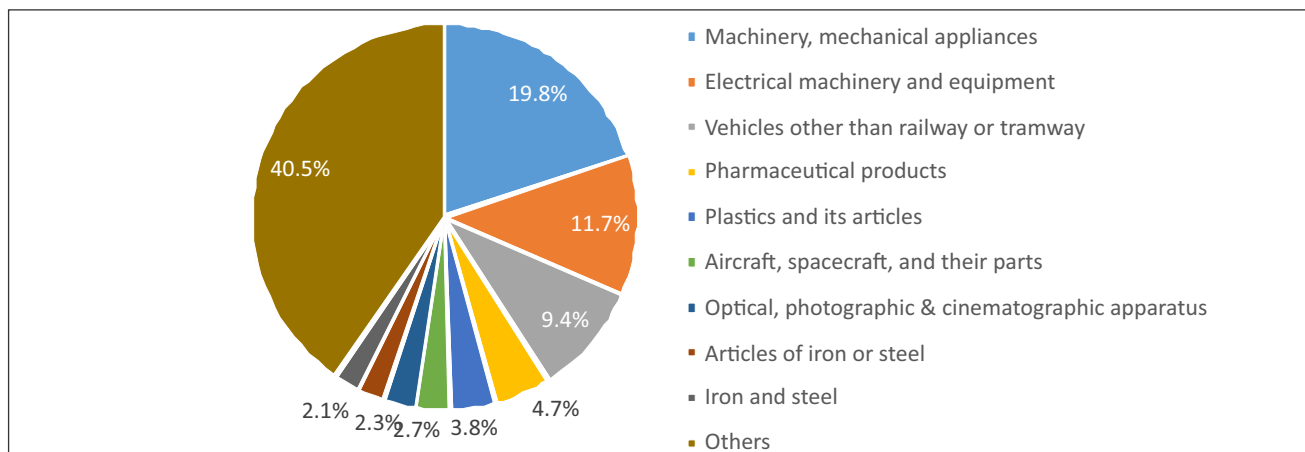
country include iron and steel, which accounted for 5.2 percent of total exports, pearl, precious stones and metal (3.1 percent), machinery and mechanical appliances (2.4 percent), wood and its articles (2.2 percent), and cereals (2.1 percent), among others. (Figure 2.3).

Figure 2.3: Russia's Top Export Commodities (Percentage share) (2017)



Russia's major imports comprise of machinery and mechanical appliances, which accounted for 19.8 percent of the country's total imports in 2017, followed by electrical machinery and equipment (11.7 percent), vehicles other than railway or

tramway (9.4 percent), pharmaceuticals (4.7 percent), plastic and its articles (3.8 percent), and aircraft, spacecraft and their parts (2.8 percent), among others (Figure 2.4).

Figure 2.4: Russia's Top Import Commodities (Percentage share) (2017)

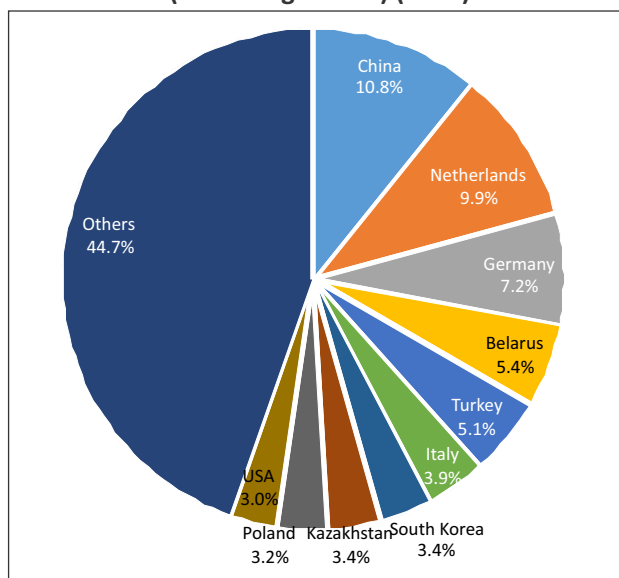
Source: ITC, Geneva and Exim Bank Analysis

Direction of Trade

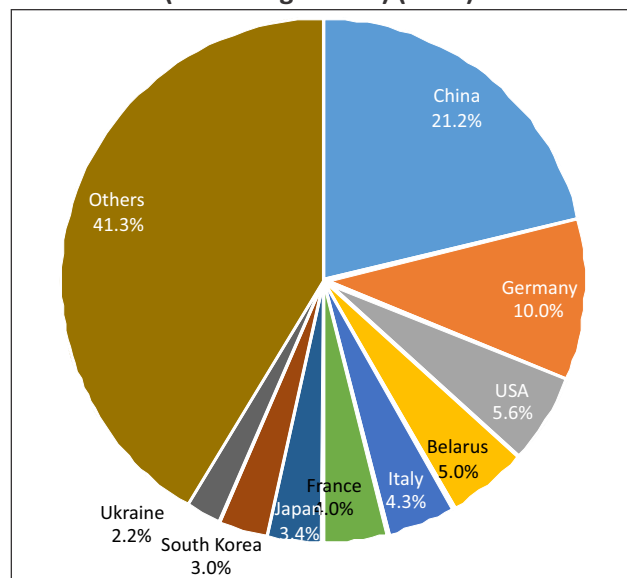
Despite its closer association with the Commonwealth of Independent States (CIS) countries, the destination of about 85 percent of Russia's total exports, and the source of close to 90 percent of its imports are from countries outside CIS. Russia's major export destinations include China, which accounted for 10.8 percent of Russia's total exports in 2017, followed closely by Netherlands (9.9 percent), Germany (7.2 percent), Belarus (5.4 percent), Turkey (5.1 percent), Italy (3.9 percent), USA (3.0 percent), Poland (3.2 percent), Kazakhstan (3.4 percent), and South Korea (3.4 percent).

percent), Belarus (5.4 percent), Turkey (5.1 percent), and Italy (3.9 percent), among others (Figure 2.5).

At the same time, China also stood as Russia's major source of imports, accounting for 21.2 percent of Russia's total imports in 2017, followed by Germany (10 percent), USA (5.6 percent), Belarus (5 percent), Italy (4.3 percent), and France (3.4 percent), among others (Figure 2.6).

Figure 2.5: Russia's Major Export Destinations (Percentage share) (2017)

Source: ITC, Geneva and Exim Bank Analysis

Figure 2.6: Russia's Major Import Sources (Percentage share) (2017)

Source: ITC, Geneva and Exim Bank Analysis

Russia's Trade Policy in Brief¹**Key Priorities at Present**

The Russian government recognizes the economy's excessive dependence on hydrocarbon exports and food imports. Subsequently, the government is adopting numerous strategies to counter these weaknesses, including among others, an agricultural import substitution policy, aiming for self-sufficiency in food production; shifting Russia's export focus from commodities to higher value-added products; and stimulating investor interest in the local high-tech industries, via a series of tax and credit initiatives as well as increased government spending in the sector.

Russia is also attempting to balance its trade policy by realizing its potential in the markets of Asia, specifically China. China is also a key component of Russia's strategy of "de-dollarization" or reducing its dependence on the US dollar in trade and reliance on the international payments system, which is largely controlled by Western banks. To this end, Russia is developing a mechanism to enable China to pay for Russia's oil and gas in yuan, which would be convertible into gold. Other policies in line with this objective include Russia's "oil-for-goods" barter trade with Iran², and Russia's work on concluding an agreement on a free trade zone with India, in line with their aim to increase bilateral trade by US\$ 30 billion by 2025, among others.

Tariffs and import taxes

Russia's merchandise imports are generally faced with three types of levies viz. import tariffs, value-added tax (VAT) and excise duties. Russia uses the International Convention on Harmonised Commodity Description and Coding System.

The government has also been working to modernise customs administration in general,

including development of the customs border, border infrastructure, and the introduction of state-of-the-art customs information technologies and a fully electronic customs documentation.

Services Trade Restrictiveness

Russia has a relatively low trade restrictiveness in services sector as a whole, except however, in some major subsectors such as air transport, rail freight transport, cargo-handling and Storage and warehousing³.

Russia's Investment Flows

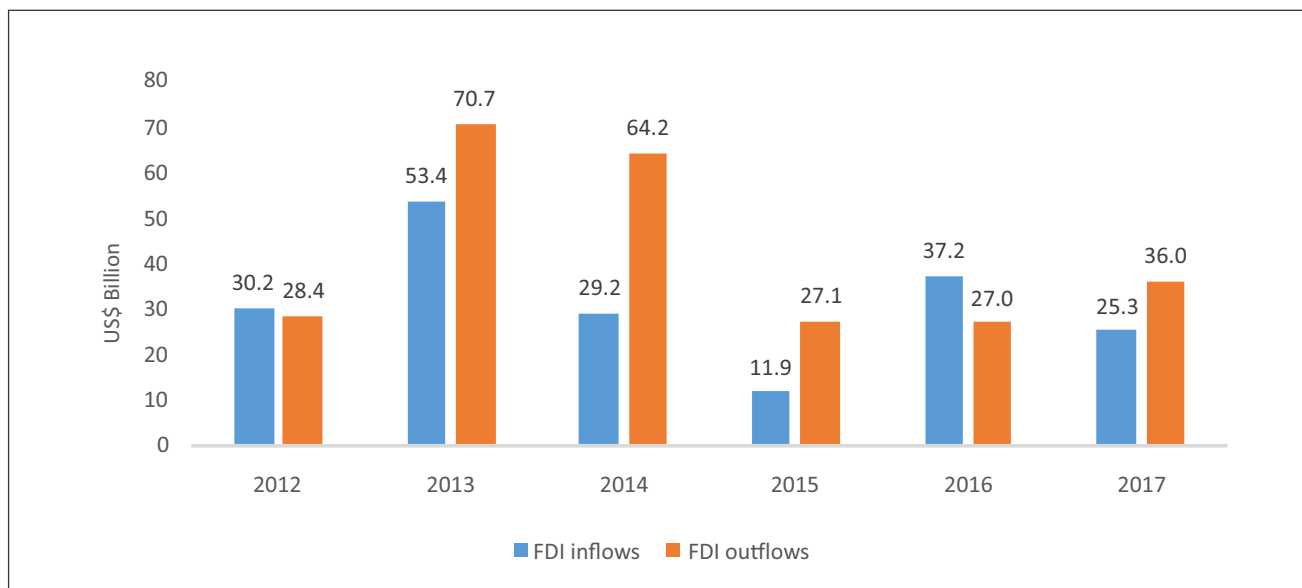
Foreign Direct Investment (FDI) inflows to Russia have remained relatively constrained over the past few years, periodically rising and falling between 2012 and 2017, to reach US\$ 25.3 billion in 2017, down from US\$ 30.2 billion in 2012. On the other hand, FDI outflows, though having fallen for three consecutive years in 2014, 2015 and 2016, has recovered fairly to reach US\$ 36 billion in 2017, up from US\$ 28.4 billion in 2012 (**Figure 2.7**).

During the period 2012-2017, China has been the largest source of FDI inflows to Russia with a share of 16 percent of the total capital investments in Russia during the period. Majority of the top investors in Russia during the period have been European countries, with seven European countries viz. Germany, France, Italy, UK, Cyprus, Finland and Sweden contributing to a combined share of 39 percent of the total capital investments in Russia during the period (**Figure 2.8**).

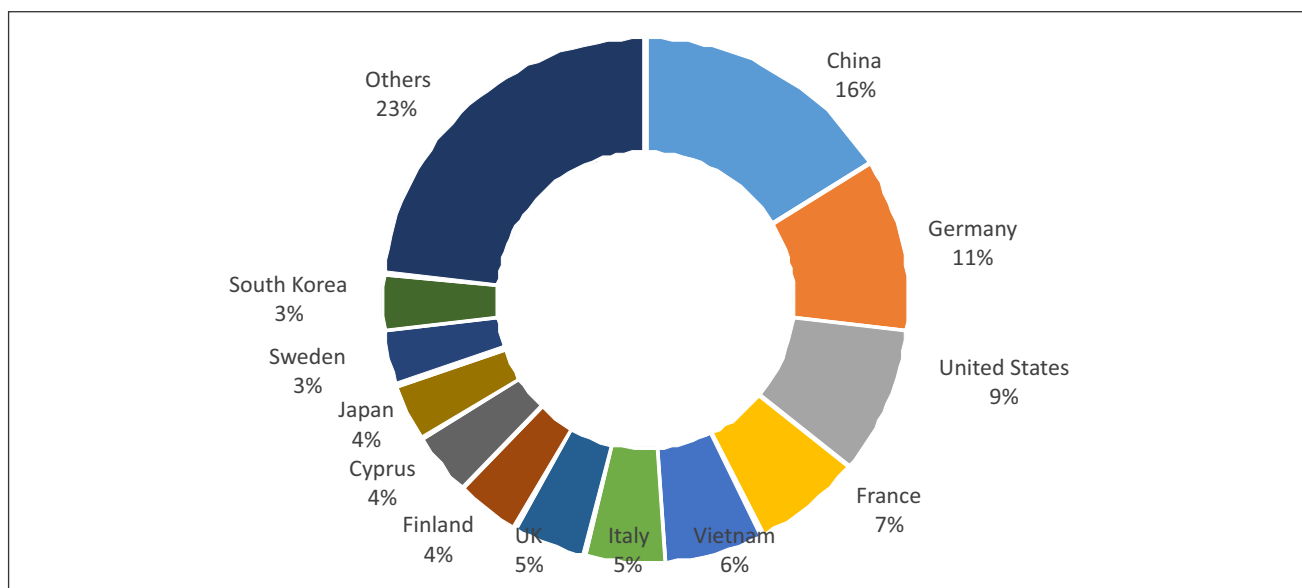
¹ Majorly sourced from the Economist Intelligence Unit

² <https://www.reuters.com/article/us-russia-iran-oil/iran-hopes-to-begin-russia-oil-for-goods-exports-this-week-report-idUSKBN0ON06O20150607>

³ OECD Services Trade Restrictiveness Index (STRI): Russian Federation, December 2017

Figure 2.7: Russia's Investment Flows (US\$ Billion)


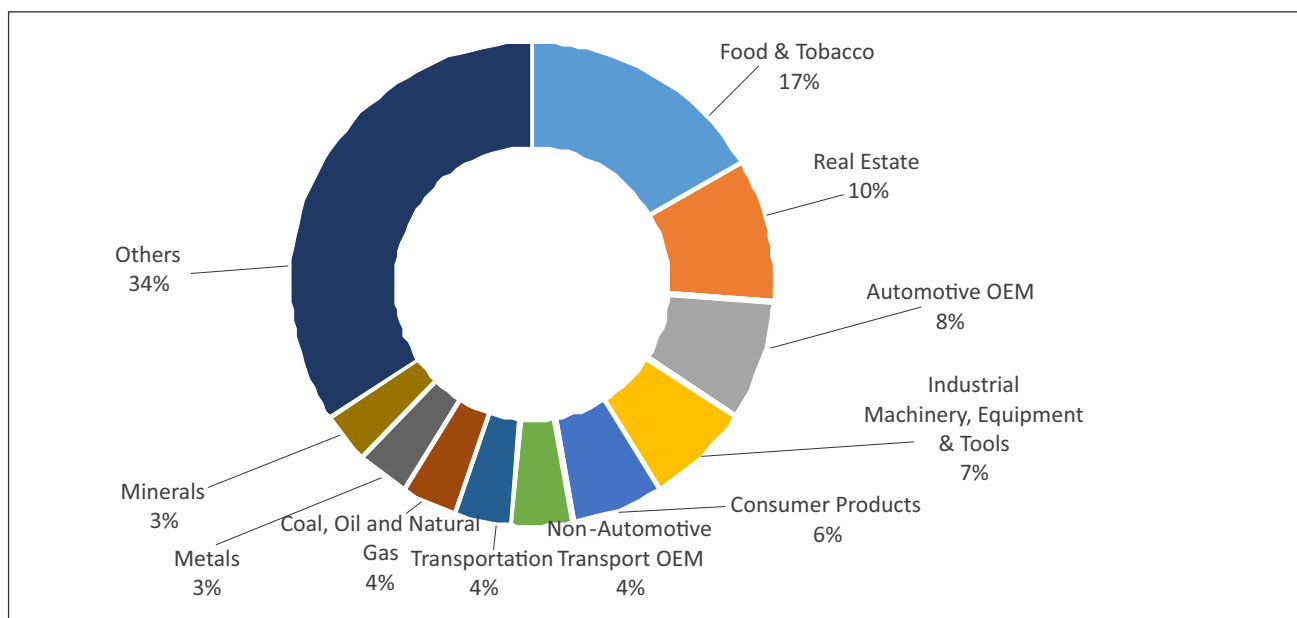
Source: UNCTAD

Figure 2.8: Top Countries Investing in Russia (2012-2017)


Source: FDI Markets Database⁴

Top sectors attracting investment inflows into Russia during the period 2012-2017 include, food and tobacco (17 percent of total investment inflows in Russia); real estate (10 percent); automotive OEM (8 percent); industrial machinery, equipment and tools (7 percent) and consumer products (6 percent), among others (**Figure 2.9**).

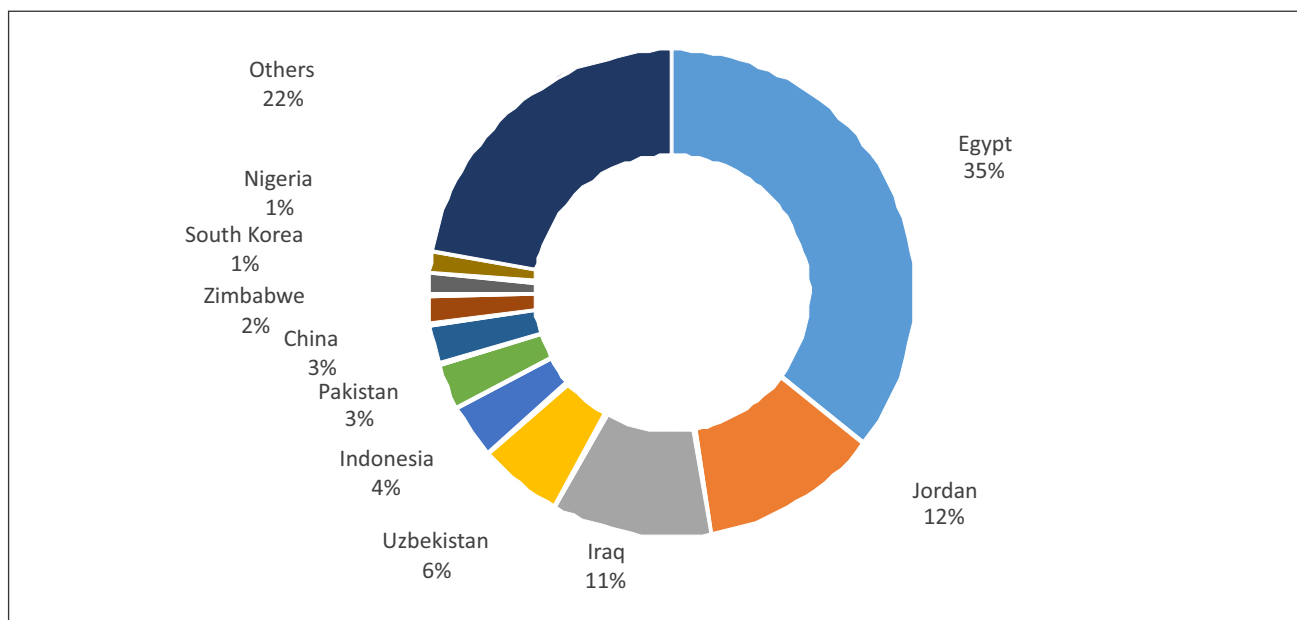
⁴ Note: The Financial Times "FDi Markets" tracks cross-border investment in a new physical project or expansion of an existing investment which creates new jobs and capital investment. This data differs from official data on FDI flows as company can raise capital locally, phase their investment over a period of time, and can channel their investment through different countries for tax efficiency.

Figure 2.9: Top Sectors Attracting FDI Inflows in Russia (2012-2017)

Source: FDI Markets Database

As regards FDI outflows, as was the case with in trade, despite the geographical and historical proximity, countries from the CIS are noticeably limited among the top ten investment destinations of Russia. Noteworthy exceptions, however, include Uzbekistan, which is the fourth largest recipient of

Russian outward investments during 2012-2017. The largest shares of investment were instead held by Egypt, Jordan and Iraq, with their respective shares of 35 percent, 12 percent and 11 percent during the period 2012-2017 (**Figure 2.10**).

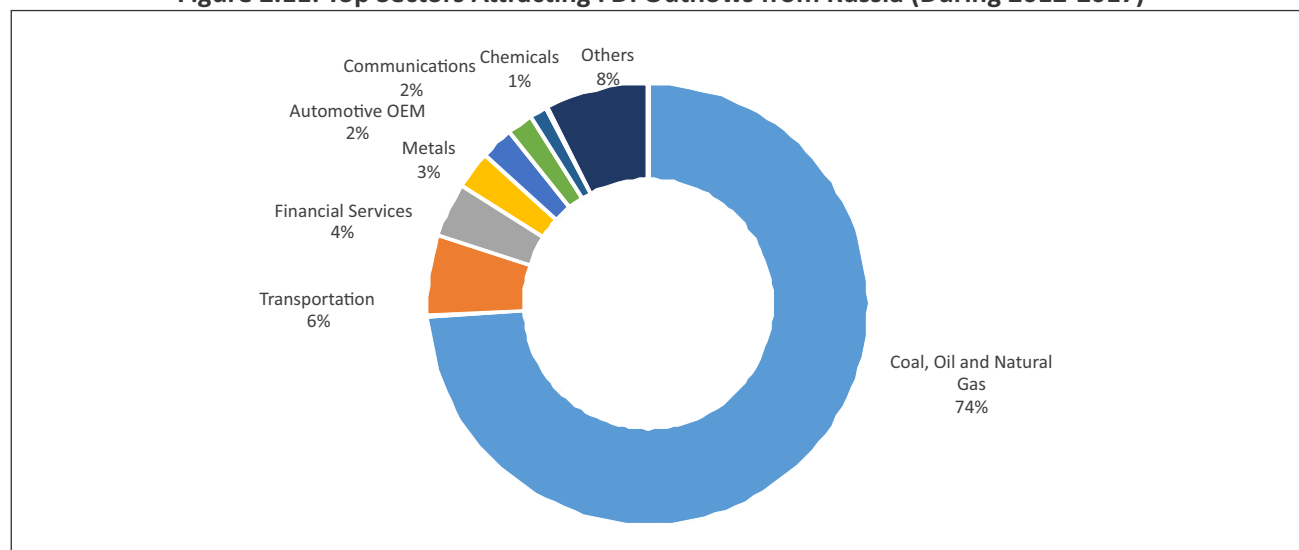
Figure 2.10: Top Countries Attracting FDI Outflows from Russia (2012-2017)

Source: FDI Markets Database

Coal, oil and natural gas sector has been the largest sector contributing to FDI outflows from Russia during 2012-2017, accounting for 74 percent of total capital investment outflows from Russia during the period. This was followed by transportation sector with a

share of 6 percent, financial services sector (4 percent), metals (3 percent), automotive OEM and communication sectors (2 percent each), among others (Figure 2.11).

Figure 2.11: Top Sectors Attracting FDI Outflows from Russia (During 2012-2017)



Source: FDI Markets Database

Russia's Investment Incentives in Brief

Russia benefits from several attributes that have long attracted foreign investors, such as the large size of its markets, a relatively well-educated population and an abundance of natural resources. The country's ability to attract and retain foreign investment over the coming years will depend greatly on its ability to diversify its economy away from oil and gas exports, as well as on its political relations with other countries and supranational institutions. Though in terms of its business regulations and commercial standards Russia has witnessed only a very slow convergence with Western norms, Russia's historical ability to find enthusiastic foreign buyers for its oil and gas reflects that it has faced barely any pressure to accelerate the process. Western sanctions have had a negligible direct effect on the local economy, although they undoubtedly have given many foreign investors a break in proceedings about the local investment climate. However, despite the recovery in the Russian economy since 2017, the country continues to face the challenge of making investments less vulnerable

to geopolitical events and fluctuations in commodity prices.

General incentives

In order to improve the country's overall investment climate, the Russian government has undertaken reforms in tax policy, judiciary, banking sector, customs and other economic reforms rather than providing specific incentives for attracting foreign investors per se. While most of the tax incentives have been eliminated in an attempt to provide a level-playing-field to businesses across sectors, the ones that remain apply equally to both foreign and domestic investors.

Public-private partnerships (PPPs)

PPPs were previously restricted only to transport infrastructure and greatly concentrated in St Petersburg. However, recently, these have started to appear in other industries, such as science and high-technology sectors. Transport projects have tended to offer preferential treatment for foreign partners, although on a case-to-case basis.

3. INDIA - RUSSIA TRADE AND BILATERAL RELATIONS

The year 2017 marked the 70th anniversary of the establishment of cordial diplomatic relations between India and Russia. Russia has historically stood as a long-standing and important partner of India, with the relationship between the two countries forming a cornerstone of India's foreign policy. India-Russia trade ties acquired greater significance with the signing of the Declaration on the India-Russia Strategic Partnership in October 2000, which was elevated to the level of "Special and Privileged Strategic Partnership" during the visit of the Russian President to India in 2010. The signing of Druzhba-Dosti in December 2014 has strengthened the bilateral relations further, resulting in an extension of India's engagement with Russia covering all areas of cooperation, including political relations, security, trade and economy, military and technical field, energy, scientific, cultural and humanitarian exchanges, while promoting the national interests of both countries. Furthermore, the Annual Summit meetings between the Prime Minister of India and the President of the Russian Federation have also ensured

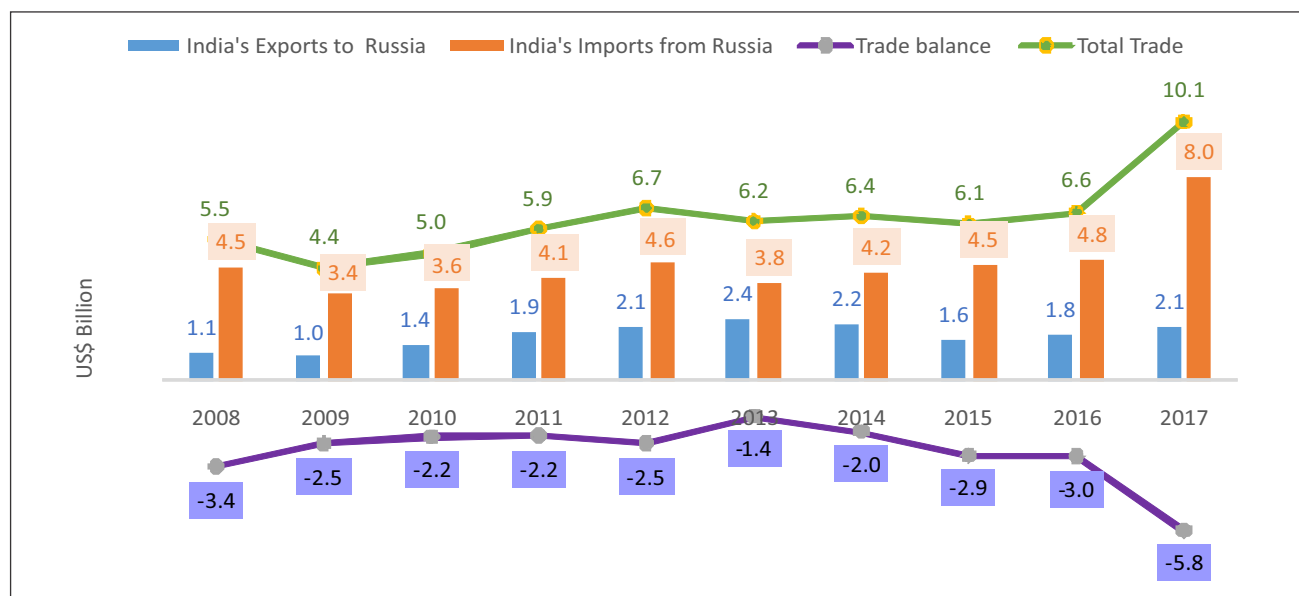
that these relations are maintained at their optimum levels.

India-Russia Trade in Recent Years

Over the last decade, India's total trade with Russia has increased at a Compound Annual Growth Rate (CAGR) of 7 percent, almost doubling, from US\$ 5.5 billion in 2008 to US\$ 10.1 billion in 2017. Total trade registered an impressive growth of 53.6 percent y-o-y in 2017, after witnessing a period of sluggish growth in the previous few years.

India's exports to Russia have increased from US\$ 1.1 billion in 2008 to US\$ 2.1 billion in 2017, peaking during 2013 at US\$ 2.4 billion. At the same time, India's imports from Russia almost doubled from US\$ 4.5 billion in 2008 to reach a new peak of US\$ 8 billion in 2017, marking a CAGR of 6.6 percent during the decade. Consequently, India's trade deficit with Russia has increased by nearly two-fold from US\$ 3.4 billion 2008 to US\$ 5.8 billion in 2017 (**Figure 3.1**).

Figure 3.1: India's Trade with Russia (US\$ Billion)

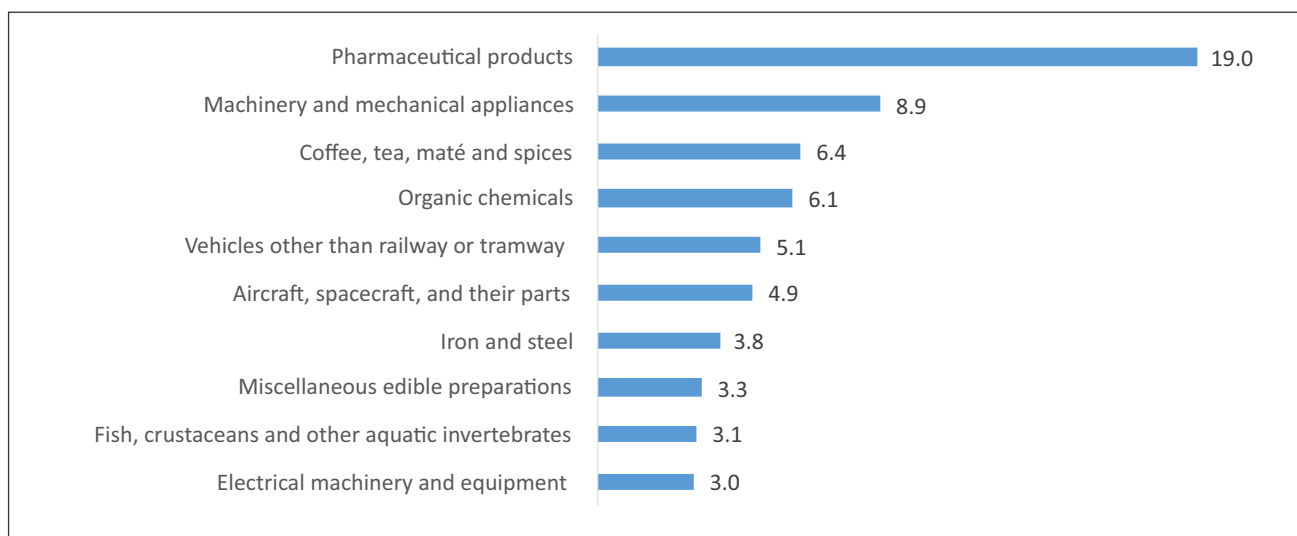


Source: ITC, Geneva and Exim Bank Analysis

India's trade basket with Russia is well diversified. In 2017, major Indian exports to Russia included pharmaceutical products, which accounted for 19 percent of the total Indian exports to Russia (**Figure 3.2**), followed by machinery and mechanical

appliances (8.9 percent), coffee, tea, mate and spices (6.4 percent), organic chemicals (6.1 percent) vehicles other than railway or tramway (5.1 percent) and aircrafts, spacecraft and their parts (4.9 percent), among others.

Figure 3.2: India's Top Exports to Russia (percentage share)

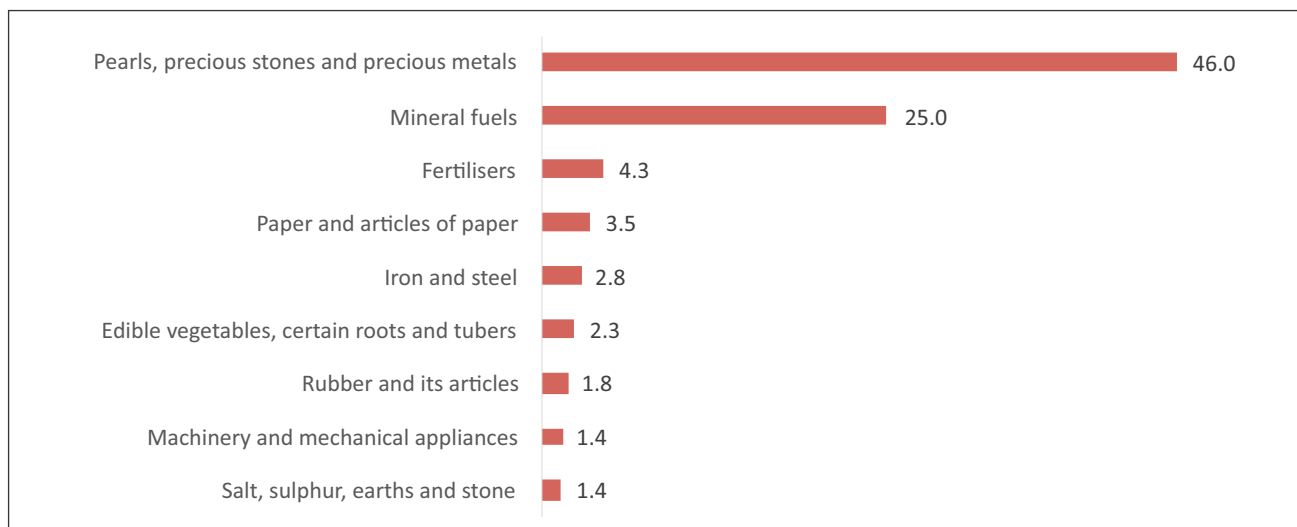


Source: ITC, Geneva and Exim Bank Analysis

In the same year, pearls, precious stones and metals were India's main items of imports from Russia, accounting for 46 per cent of India's total imports from Russia. The other major imports in 2017 included mineral fuels (25 percent), fertilisers (4.3

percent), paper and articles of paper pulp (3.5 percent), and iron and steel (2.8 percent), among others. India's top import items from Russia and their percentage shares are presented in **Figure 3.3**.

Figure 3.3: India's Top Imports from Russia (percentage share)



Source: ITC, Geneva and Exim Bank Analysis

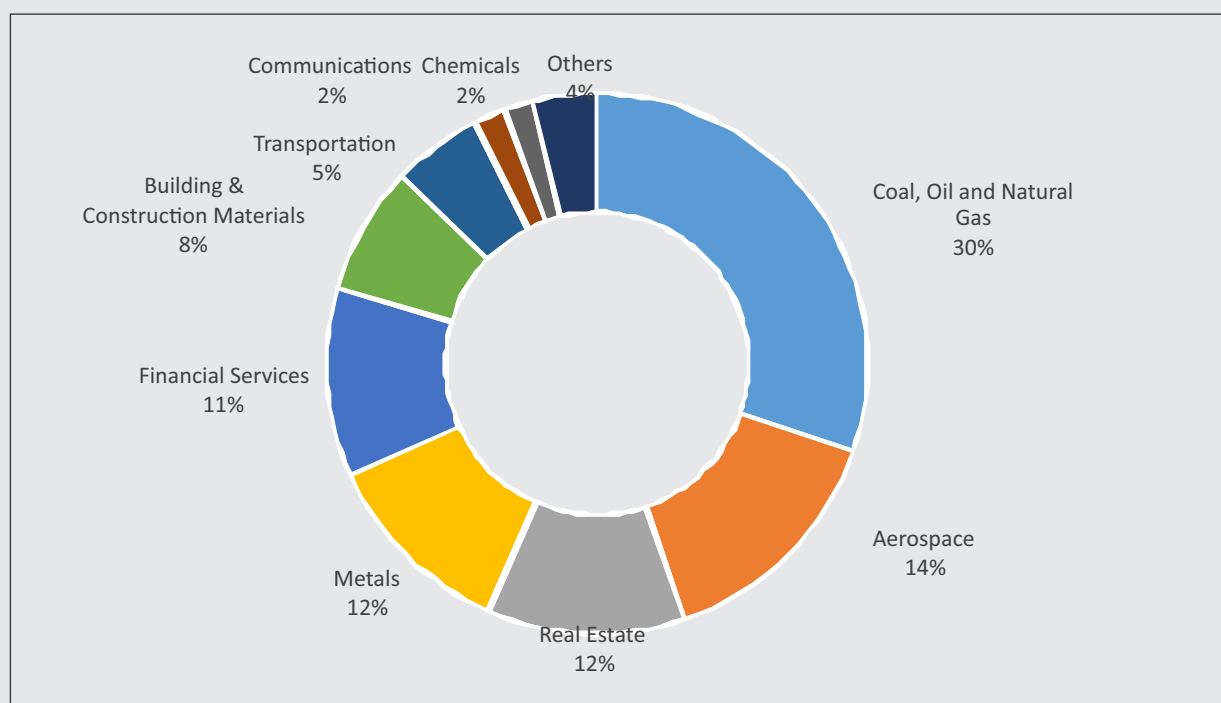
Bilateral Investments

Despite concerted efforts to boost bilateral relations over the years, Russia's participation as an investment partner to India has remained relatively limited in the recent years. Accordingly, Russia's share in India's FDI inflows stood at a meagre 0.33 percent, amounting to a cumulative FDI investments of US\$ 1,235.8 million for the period April 2000- March 2018⁵. On the other hand, India's total cumulative approved investments in joint ventures and wholly owned subsidiaries in Russia, during April 1996-March 2018 stood at

US\$ 4.8 billion, which accounted for merely 1.6 percent of India's total approved FDI outflows during the same period⁶.

Coal, oil and natural gas sector is the major sector attracting FDI inflows from Russia to India, accounting for 30 percent of India's capital investment inflows from Russia during the past decade from 2008-2017. This was followed by aerospace sector (14 percent); real estate and metals (12 percent each); financial services (11 percent); and building and construction materials (8 percent), among others (Figure 3.4).

Figure 3.4: Top Indian Sectors Attracting FDI Inflows from Russia



Source: FDI Markets Database

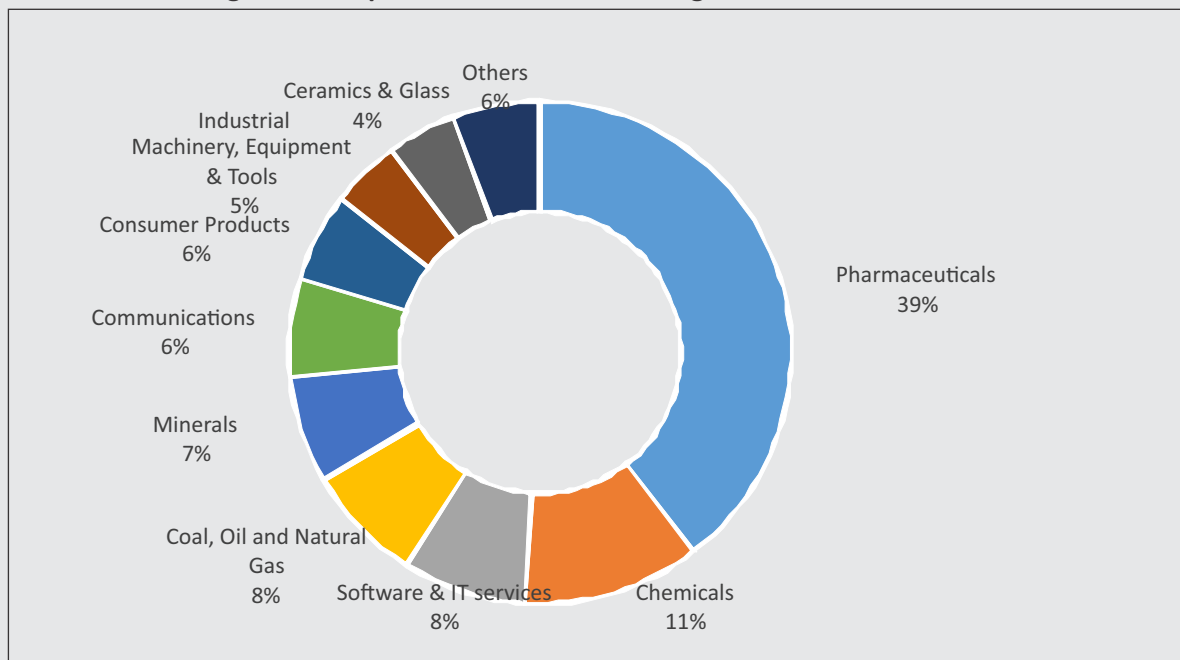
⁵ Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India

⁶ Reserve Bank of India

Meanwhile, pharmaceuticals were the major sector in Russia attracting capital investments from India, accounting for 39 percent of India's total capital investment outflows to Russia during the past decade between 2008 and 2017. This was followed by

chemicals (11 percent); software and IT services; and coal, oil and natural gas sectors (8 percent each); and minerals (7 percent), among others (**Figure 3.5**).

Figure 3.5: Top Russian Sectors Attracting FDI Outflows from India



Source: FDI Markets Database

4. POTENTIAL FOR ENHANCING INDIA'S EXPORTS TO RUSSIA

As highlighted in the preceding chapter, bilateral trade between India and Russia has witnessed significant rise in the recent years, with total trade between the two countries increasing nearly two-fold, from US\$ 5.5 billion in 2008 to US\$ 10.1 billion in 2017. However, as a trade partner, India's share in both Russia's global exports and Russia's global imports is relatively low, when compared to Russia's major trade partners such as China, Germany, Netherlands, Belarus and Italy, among others.

Accordingly, India's ranking in Russia's global imports is relatively low, at the 20th position in 2017, with a meagre share of 1.3 percent of Russia's total imports in 2017, while India's ranking in Russia's global exports stood at 16, with a share of 1.8 percent of Russia's total exports in 2017 (**Table 4.1**). There is, thus, a pressing need to enhance India's trade with Russia, considering the immense opportunities that exists.

Table 4.1: Russia's Top Trade Partners and India's Share

Russia's Top Import Sources			Russia's Top Export Markets		
Ranking	Country	% Share in Russia's Imports (2017)	Ranking	Country	% Share in Russia's Exports 2017
1	China	21.2	1	China	10.8
2	Germany	10.0	2	Netherlands	9.9
3	USA	5.6	3	Germany	7.2
4	Belarus	5.0	4	Belarus	5.4
5	Italy	4.3	5	Turkey	5.1
6	France	4.0	6	Italy	3.9
7	Japan	3.4	7	South Korea	3.4
8	South Korea	3.0	8	Kazakhstan	3.4
9	Ukraine	2.2	9	Poland	3.2
10	Kazakhstan	2.1	10	USA	3.0
11	Poland	2.0	11	Japan	2.9
12	UK	1.8	12	UK	2.4
13	Netherlands	1.6	13	Finland	2.4

14	Turkey	1.5	14	Ukraine	2.2
15	Finland	1.5	15	Belgium	1.9
16	Vietnam	1.5	16	India	1.8
17	Czech Republic	1.4	17	Egypt	1.7
18	Brazil	1.4	18	France	1.6
19	Spain	1.4	19	Latvia	1.3
20	India	1.3	20	Algeria	1.3
21	Indonesia	1.1	21	Czech Republic	1.1
22	Switzerland	1.0	22	Switzerland	1.1
23	Belgium	0.9	23	Greece	1.0
24	Austria	0.9	24	Taiwan	0.9
	World	100		World	100

Source: ITC, Geneva and Exim Bank Analysis

A strategy to further enhance bilateral trade relations, and in particular to address India's rising trade deficit with Russia, which has grown two-fold during the last decade, from US\$ 3.4 billion in 2008 to US\$ 5.8 billion in 2017, would involve identification of potential items that India can export to Russia, in line with India's global export capability (as exhibited by trends in India's major exports to the world) and Russia's domestic demand (as exhibited by the trends in Russia's major import commodities). This would in turn serve to not only increase the overall bilateral trade and address India's trade balance issue, but also enhance India's ranking as Russia's import partner.

Such a strategy would entail:

1. Identification of major items in Russia's import basket, and share of India in each product line (based on 2-digit HS Commodity Code).
2. Selection of potential export items based on low share of India in Russia's import basket of major commodities, keeping in view India's global export

capabilities. This would entail identification of potential export items under each product category, upto 6-digit HS Commodity code.

Table 4.2 presents Russia's major import items, in terms of 2-digit HS commodity code, and the corresponding share of India in Russia's global imports of these items in 2017. As can be seen from the table, India has attained a relatively healthy share in Russia's imports of only four items, viz. pharmaceutical products (HS-30), organic chemicals (HS- 09), non-knitted articles of apparel and clothing (HS-62), and knitted articles of apparel and clothing (HS-61), with shares ranging from 3.2 percent for apparel items to 5.5 percent for organic chemicals.

However, in the case of other major items in Russia's global import basket, India's share is meagre and even declining in some cases. This would serve to highlight the potential to further enhance India's exports to Russia, in line with the huge existing demand and India's high global export capability for those commodities.

Table 4.2: Russia's Major Imports and India's Share, 2017

HS Code	Product Label	Russia's imports from world (US\$ mn) (2017)	India's Exports to Russia (US\$ mn) (2017)	India's Share in Russia's Imports (%)	India's export to Russia as % of India's exports to World	India's exports to world (US\$ mn) (2017)
84	Machinery and mechanical appliances	45,287.7	240.3	0.5	1.4	16,652.3
85	Electrical machinery and equipment	26,736.9	132.7	0.5	1.5	8,800.7
87	Vehicles other than railway or tramway	21,498.6	128.9	0.6	0.8	16,226.8
30	Pharmaceutical products	10,834.9	561.0	5.2	4.4	12,895.5
39	Plastics and their articles	8,765.8	40.5	0.5	0.7	5,925.6
90	Optical, photographic, cinematographic apparatus	6,193.1	25.4	0.4	0.9	2,885.1
73	Articles of iron or steel	5,305.2	43.8	0.8	0.7	6,657.0
72	Iron and steel	4,825.7	93.9	1.9	0.8	11,700.0
8	Edible fruit and nuts	4,677.7	43.5	0.9	2.4	1,837.1
40	Rubber and their articles	3,589.1	49.6	1.4	1.7	2,847.3
29	Organic chemicals	3,515.8	194.4	5.5	1.4	13,564.7
62	Non -knitted articles of apparel and clothing	3,394.0	109.0	3.2	1.2	8,984.8
89	Ships, boats and floating structures	3,232.5	-	-	-	4,578.6
61	Knitted articles of apparel and clothing	3,181.2	100.3	3.2	1.2	8,347.4

64	Footwear, gaiters and parts of such articles	3,175.4	69.3	2.2	2.5	2,785.9
38	Miscellaneous chemical products	3,169.3	61.6	1.9	1.7	3,711.3
33	Essential oils perfumery, cosmetic , and toiletries	3,112.8	32.4	1.0	1.8	1,821.6

Source: ITC, Geneva and Exim Bank Analysis

Note: - denotes negligible

Based on the above table, potential items of export from India to Russia, as per 2-digit HS commodity classification would include, among others:

- Machinery and mechanical appliances (HS-84)
- Electrical machinery and equipment (HS-85)
- Vehicles other than railway or tramway (HS-87)
- Plastics and their articles (HS-39)
- Optical, photographic, cinematographic apparatus (HS-90)
- Articles of iron or steel (HS-73)
- Iron and steel (HS-72)
- Edible fruit and nuts (HS-8)
- Rubber and their articles (HS-40)
- Ships, boats and floating structures (HS-89)
- Footwear, gaiters and parts of such articles (HS-64)
- Miscellaneous chemical products (HS-38)
- Essential oils perfumery, cosmetic, and toiletries (HS-33)

Machinery and Mechanical Appliances (HS-84)

Machinery and mechanical appliances comprise the largest imports of Russia. In fact, in the recent years,

Russia's total import of machinery and mechanical appliances has increased by 27.9 percent to US\$ 45.3 billion in 2017 from US\$ 35.4 billion in the previous year, marking two consecutive years of positive growth after a period of overall slowdown in the economy. However, majority of the imports were sourced from China, which accounted for a share of 30.2 percent of Russia's total imports of the commodity in 2017, followed by Germany (12.1 percent), Italy (6.8 percent) and USA (4.9 percent), among others (**Table 4.3**).

At the same time, machinery and mechanical appliances constitute India's 3rd largest global exports in 2017, amounting to US\$ 16.7 billion, with a share of 5.6 percent in India's total exports to the world, highlighting India's high global export capability for this commodity. However, despite having the export capacity and competence, India's share in Russia's global imports of this commodity remains meagre at 0.5 percent in 2017, highlighting the potential to further export these items to Russia, in line with Russia's high demand for the commodities as well as India's export capability. With a view to increasing India's exports to Russia, potential items for exports at 6-digit HS commodity code have been identified and presented in **Table 4.4**.

Table 4.3: Russia's Major Sources of Imports of Machinery and Mechanical Appliances (HS-84)

Partner Country	% Share in Russia's Imports of HS-84
China	30.2
Germany	12.1
Italy	6.8
USA	4.9
Japan	3.5
South Korea	3.1
Czech Republic	2.6
France	2.3
Belarus	2.0
Indonesia	1.7
Poland	1.7
Ukraine	1.6
Netherlands	1.6
UK	1.5
Taiwan	1.4
Finland	1.3
Austria	1.2
Sweden	1.1
Thailand	1.0
Turkey	0.9
India	0.5

Source: ITC, Geneva and Exim Bank Analysis

Table 4.4: Machinery and Mechanical Appliances (HS-84)– Potential Exports to Russia

HS code	Product label	India's Exports to Russia (US\$ mn) (2017)	Share of India in Russia's imports from World (%)	Russia's imports from world (US\$ mn) (2017)	India's exports to world (US\$ mn) (2017)
841989	Machinery, plant or laboratory equipment	13.5	0.9	1533.5	172.5
848180	Appliances for pipes, boiler shells, tanks, vats (excluding pressure-reducing valves)	16.1	1.2	1374.3	769.8
840734	Spark-ignition reciprocating piston engine used for vehicles	0.3	0.02	1071.5	218.0
847330	Parts and accessories of automatic data-processing machines	-	-	926.5	123.6
847989	Other machines and mechanical appliances	7.5	0.9	870.0	365.9
841370	Centrifugal pumps, power-driven	6.1	0.9	705.1	232.0
840820	Compression-ignition internal combustion piston engine (diesel or semi-diesel engine)	0.3	0.04	624.5	148.8
842952	Self-propelled mechanical shovels, excavators and shovel loaders	3.3	0.5	617.2	198.5
841480	Air pumps, air or other gas compressors and ventilating or recycling hoods	7.7	1.3	604.2	271.3
840999	Parts with compression-ignition internal combustion	17.7	4.3	406.6	719.6
842139	Machinery and apparatus for filtering or purifying gases (excluding isotope separators)	1.9	0.5	404.2	103.4
843149	Other parts of machinery	6.9	1.9	369.7	282.5
842230	Machinery for filling, closing, sealing or labelling bottles, cans, etc	3.3	1.2	283.2	100.8

842199	Parts of machinery and apparatus for filtering or purifying liquids or gases	2.9	1.0	281.7	125.5
848340	Gears and gearing for machinery (excluding toothed wheels, chain sprockets and other transmission)	2.1	0.8	270.8	279.1
841950	Heat -exchange units (excluding instantaneous heaters, storage water heaters, boilers and equipment)	3.3	1.5	229.5	191.7
840991	Parts with spark-ignition internal combustion piston	3.3	1.6	214.9	236.7
843041	Self-propelled boring or sinking machinery for boring earth or extracting minerals and ores	3.5	1.8	197.6	104.1
841330	Fuel, lubricating or cooling medium pumps for internal combustion piston engine	3.3	1.7	197.1	155.6
842121	Machinery and apparatus for filtering or purifying water	0.1	0.04	193.7	116.4
848310	Transmission shafts, incl. cam shafts and crank shafts, and cranks	4.4	2.6	171.3	256.9
848390	Toothed wheels, chain sprockets and other transmission elements	1.9	1.2	166.1	135.3
840890	Other compression-ignition internal combustion piston engine(diesel or semi-diesel engine)	3.0	1.9	163.7	384.7
843143	Parts for boring or sinking machinery	1.5	0.9	162.3	132.2
841391	Parts of pumps for liquids	1.8	1.2	156.2	366.9

Source: ITC, Geneva and Exim Bank Analysis

Note: - denotes negligible

Electrical Machinery and Equipment (HS-85)

Electrical machinery and equipment comprise Russia's second largest imports in 2017. Russia's total imports of electrical machinery and equipment have also been increasing rapidly over the recent years, rising from US\$ 21.5 billion in 2016 to US\$ 26.7 billion in 2017, indicating an increasing import demand for the commodity. As has been the case with machinery and mechanical appliances, more than one third of Russia's total imports of electrical machinery and

equipment have also been sourced from China, which accounted for 44.3 percent of Russia's total imports of the commodity, followed by Vietnam (6.4 percent), Germany (5.8 percent) and South Korea (3.4 percent), among others (Table 4.5).

Electrical machinery and equipment form India's 9th largest global exports in 2017, amounting to US\$ 8.8 billion, reflecting India's export capability. However, India does not feature even among the top 30 exporters of the commodity to Russia, and accounted

for a meagre share of 0.5 percent of Russia's total imports of the commodity in 2017. This clearly indicates significantly large untapped potential for

exports from India. The potential items for enhancing such exports (at 6-digit HS code) have accordingly been identified and presented in **Table 4.6**.

Table 4.5: Russia's Major Sources of Imports of Electrical Machinery, Equipment and their Parts (HS-85)

Exporters	% Share in Russia's imports of HS-85
China	44.3
Vietnam	6.4
Germany	5.8
South Korea	3.4
USA	2.8
Taiwan	2.5
Italy	2.4
Belarus	2.3
Malaysia	2.2
France	2.2
Japan	2.2
Poland	2.1
Estonia	1.6
Czech Republic	1.4
Finland	1.3
Slovakia	1.2
Hungary	1.0
UK	1.0
Ukraine	1.0
India	0.5

Source: ITC, Geneva and Exim Bank Analysis

Table 4.6: Electrical Machinery, Equipment and their Parts (HS-85)- Potential Exports to Russia

HS code	Product label	India's Exports to Russia (US\$ mn) (2017)	Share of India in Russia's imports from World (%)	Russia's imports from world (US\$ mn) (2017)	India's exports to world (US\$ mn) (2017)
851712	Telephones for cellular networks or other wireless networks	-	-	5312.8	137.9
851762	Machines for the reception, conversion and transmission or regeneration of voice and images	0.3	-	1437.9	423.3
853710	Boards, cabinets and similar combinations of apparatus for electric control	7.3	0.7	1060.7	330.4
850440	Static converters	11.9	1.4	823.5	554
851770	Parts of telephone sets, telephones for cellular networks or other wireless networks	4.0	0.6	659.7	368.5
854449	Insulated Electric conductors not fitted with connectors, for a voltage not exceeding 1000 V	0.1	-	353.9	185
854511	Electrodes of graphite or other carbon for electric furnaces	1.2	0.4	280.9	277
853690	Electrical apparatus for switching electrical circuits	4.9	1.8	274.6	219.4
853890	Other parts with the apparatus	3.2	1.2	272.2	378.7
854140	Photosensitive semiconductor devices (including photovoltaic cells)	0.1	-	207.1	139.1
853720	Boards, cabinets and similar combinations of apparatus for electric control	-	-	189.3	132.5
850720	Lead acid accumulators (excluding spent and starter batteries)	5.1	2.8	181.3	113.2
853620	Automatic circuit breakers for a voltage not exceeding 1000 V	5.2	2.9	179.6	132.1
854430	Ignition wiring sets and other wiring sets for vehicles, aircraft or ships	0.4	0.2	166.9	187
853400	Printed circuits	-	-	136.4	129.8
850110	Motors of an output not exceeding 375 W	1.2	1.1	111.7	154.2

851140	Starter motors and dual purpose starter -generators used for sparkignition or compression-ignition	0.4	0.4	104.2	123.6
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Source: ITC, Geneva and Exim Bank Analysis

Note: - denotes negligible

Vehicles Other Than Railway or Tramway (HS-87)

Vehicles other than railway or tramway comprise Russia's third largest imports in 2017, with a share of 9.4 percent in Russia's total imports, witnessing a recovery in growth in the recent years from US\$ 15.6 billion in 2016 to US\$ 21.5 billion in 2017. Nearly 17 percent of these imports are sourced from Japan and another 16 percent from Germany, which are the two largest import sources for this commodity, followed by China (7.9 percent), South Korea (7.6 percent), USA (7.3 percent) and Belarus (7 percent), among others (Table 4.7).

At the same time, vehicles form India's 4th largest exports globally in 2017, amounting to US\$ 16.2 billion, with a share of 5.4 percent in India's total exports to the world, which is indicative of India's global export capability. However, as in case of the previous commodities, India accounted for a meagre share of 0.6 percent of Russia's total imports of the commodity in 2017. With a view to increasing India's exports of vehicles to Russia, the potential items for exports at 6-digit HS commodity code have been identified and presented in Table 4.8.

Table 4.7: Russia's Major Sources of Imports of Vehicles other than Railway or Tramway (HS-87)

Exporters	% Share in Russia's imports of HS-87
Japan	17.3
Germany	16.0
China	7.9
South Korea	7.6
USA	7.3
Belarus	7.0
Slovakia	3.6
UK	3.5
Netherlands	2.6
Czech Republic	2.4
Poland	2.2
Sweden	2.2
Spain	1.9
Thailand	1.8
France	1.7
Turkey	1.7
Italy	1.3
Finland	1.2
Mexico	1.2
India	0.6

Source: ITC, Geneva and Exim Bank Analysis

Table 4.8: Vehicles other than Railway or Tramway (HS-87)- Potential Exports to Russia

HS code	Product label	India's Exports to Russia (US\$ mn) (2017)	Share of India in Russia's imports from World (%)	Russia's imports from world (US\$ mn) (2017)	India's exports to world (US\$ mn) (2017)
870323	Motor cars and other motor vehicles for the transport of persons	-	-	2416.8	1453.3
870829	Parts and accessories of bodies for tractors or motor transport vehicles	16.0	1.0	1576.0	106.0
870840	Gear boxes and parts for tractors or motor transport vehicles	7.7	0.6	1254.9	317.7
870899	Parts and accessories, for tractors or motor transport vehicles	34.7	3.2	1080.8	2485.3
870880	Suspension systems and parts incl. shock-absorbers for tractors or motor transport vehicles	7.5	0.9	862.3	112.5
870332	Motor cars and other motor vehicles principally designed for the transport of less than 10 persons with only diesel engine of a cylinder capacity >	-	-	858.0	199.9
870410	Dumpers for off-highway use	3.6	0.4	845.3	320.9
870870	Road wheels and parts and accessories thereof for tractors or motor transport vehicles	3.8	0.5	711.5	121.5
870423	Motor vehicles for the transport of goods, with compression-ignition internal combustion piston of a gross vehicle weight > 20 t	-	-	709.0	113.6
870850	Drive -axles with differential	3.0	0.7	437.6	313.5
870894	Steering wheels, steering columns, steering boxes and parts for tractors or motor transport vehicles	4.2	1.0	430.2	163.4
870421	Motor vehicles for the transport of goods, with compression-ignition internal combustion piston of a gross vehicle weight <= 5t	-	-	285.7	221.0
870810	Bumpers and parts for tractors or motor transport vehicles	3.0	1.5	201.1	166.4
870210	Motor vehicles for the transport of more than 10 persons	-	-	158.9	262.7

870422	Motor vehicles for the transport of goods, with compression-ignition internal combustion piston of a gross vehicle weight > 5 t but ≤ 20 t	0.3	0.2	148.7	269.0
870193	Tractors, of an engine power > 37 kW but ≤ 75 kW	2.2	1.6	143.9	360.1

Source: ITC, Geneva and Exim Bank Analysis

Note: - denotes negligible

Plastics and their Articles (HS-39)

Plastics and their articles formed Russia's fifth largest imports in 2017, accounting for a share of 3.8 percent in Russia's total imports, with imports rising in the recent years from US\$ 7.5 billion in 2016 to US\$ 8.7 billion in 2017. These imports were primarily sourced from Germany and China, which accounted for a share of 18.4 percent and 17 percent of Russia's imports of this commodity, respectively. Other major import sources included Belarus (6.7 percent), Italy (5.3 percent), South Korea (5.3 percent) and

Netherlands (3.8 percent), among others (Table 4.9).

Meanwhile, India's global exports of plastics and their articles amounted to US\$ 5.9 billion in 2017, making it India's 15th largest exported commodity. Nevertheless, India's share in Russia's imports of the commodity has remained marginal at 0.5 percent in 2017. In order to increase India's exports of plastic goods to Russia, the potential items for exports at 6-digit HS commodity code have been identified and presented in Table 4.10.

Table 4.9: Russia's Major Sources of Imports of Plastics and their Articles (HS-39)

Exporters	% Share in Russia's imports of HS-39
Germany	18.4
China	17.0
Belarus	6.7
Italy	5.3
South Korea	5.3
Netherlands	3.8
USA	3.5
France	3.3
Poland	3.2
Belgium	3.2
Finland	3.0
Ukraine	2.2
UK	1.9

Turkey	1.8
Spain	1.6
Uzbekistan	1.5
Japan	1.4
Saudi Arabia	1.4
India	0.5

Source: ITC, Geneva and Exim Bank Analysis

Table 4.10: Plastics and their Articles (HS-39): Potential Exports to Russia

HS code	Product label	India's Exports to Russia (US\$ mn) (2017)	Share of India in Russia's imports from World (%)	Russia's imports from world (US\$ mn) (2017)	India's exports to world (US\$ mn) (2017)
392690	Articles of plastics and articles of other materials	4.6	0.6	828.4	572.6
392190	Plates, sheets, film, foil and strip, of plastics, reinforced, laminated	4.4	0.9	477.7	249.7
390120	Polyethylene with a specific gravity of ≥ 0.94 , in primary forms	0.2	0.1	316.6	211.3
390110	Polyethylene with a specific gravity of < 0.94 , in primary forms	1.0	0.3	314.6	243.1
392020	Plates, sheets, film, foil and strip, of non-cellular polymers of ethylene, not reinforced	4.8	2.8	169.7	233.5
390210	Polypropylene, in primary forms	-	-	153.0	484.3
390761	Polyethylene terephthalate, in primary forms, having a viscosity number of ≥ 78 ml/g	0.3	0.2	103.4	641.2

Source: ITC, Geneva and Exim Bank Analysis

Note: - denotes negligible

Optical, Photographic and Cinematographic Apparatus (HS-90)

This commodity comprises Russia's seventh largest imports in 2017, which amounted to US\$ 6.2 billion in 2017 and holds a share of 2.7 percent in Russia's total imports. Major import sources of this commodity

include Germany, USA and China, which accounted for a share of 19.5 percent, 16.2 percent and 15.4 percent of Russia's imports of this commodity, respectively. Other major import sources included Japan (5.3 percent), Italy (3.9 percent), Switzerland (3.8 percent) and France (3.5 percent), among others (**Table 4.11**).

On the other hand, as has been the case in the previous commodities, India's share in Russia's imports of the commodity has remained scanty relative to its peers, at 0.4 percent in 2017. While this commodity's share in India's global exports is relatively smaller, nevertheless, India has the capacity

to reasonably meet Russia's import demand for select commodities within this product category. Such potential items for exports at 6-digit HS commodity code have been identified and presented in **Table 4.12**.

Table 4.11: Russia's Major Sources of Imports of Optical, Photographic and Cinematographic apparatus (HS-90)

Exporters	% Share in Russia's imports of HS-90
Germany	19.5
USA	16.2
China	15.4
Japan	5.3
Italy	3.9
Switzerland	3.8
France	3.5
South Korea	3.1
Ireland	3.1
UK	2.7
Belarus	2.1
Mexico	1.6
Malaysia	1.6
Netherlands	1.6
Austria	1.3
Singapore	1.2
Israel	1.1
Poland	0.9
Sweden	0.8
India	0.4

Source: ITC, Geneva and Exim Bank Analysis

**Table 4.12: Optical, Photographic and Cinematographic apparatus (HS-90):
Potential Exports to Russia**

HS code	Product label	India's Exports to Russia (US\$ mn) (2017)	Share of India in Russia's imports from World (%)	Russia's imports from world (US\$ mn) (2017)	India's exports to world (US\$ mn) (2017)
901890	Instruments and appliances used in medical, surgical or veterinary sciences	2.0	0.2	900.8	190.8
903180	Instruments, appliances and machines for measuring or checking	0.5	0.2	261.8	81.7
903289	Regulating or controlling instruments and apparatus (excluding hydraulic or pneumatic, manostats)	0.2	0.1	210.9	207.9
901839	Needles, catheters, cannulae and the like, used in medical, surgical, dental or veterinary	1.8	0.9	196.3	241.9

Source: ITC, Geneva and Exim Bank Analysis

Articles of Iron and Steel (HS-73)

Articles of iron and steel formed Russia's eighth largest imports in 2017, amounting to US\$ 5.3 billion in 2017, accounting for a share of 2.3 percent in Russia's total imports. Over the past three years, the growth in imports of this commodity has been on the rise, with majority of the imports being sourced from China, which accounted for a share of 22.9 percent of Russia's imports of this commodity, followed by Germany (14.3 percent), Belarus (7.9 percent), Italy (6.5 percent), Ukraine (5 percent) and USA (4.3 percent), among others (**Table 4.13**).

Articles of iron and steel comprise India's 14th largest exports, with a share of 2.3 percent in India's global exports, indicating India's global export capability of this product. However, India does not even feature in the top twenty import sources of Russia for this commodity and holds a meagre share of 0.8 percent in Russia's imports of the commodity in 2017. In order to meet Russia's import demand and enhance India's exports of this commodity, in line with India's supply capabilities, potential items for exports at 6-digit HS commodity code have been identified and presented in **Table 4.14**.

Table 4.13: Russia's Major Sources of Imports of Articles of Iron and Steel (HS-73)

Exporters	% Share in Russia's imports of HS-73
China	22.9
Germany	14.3
Belarus	7.9
Italy	6.5
Ukraine	5.0
USA	4.3
Poland	3.0
Kazakhstan	2.8
South Korea	2.7
Japan	2.3
Czech Republic	2.1
Spain	2.0
Turkey	2.0
France	1.9
UK	1.4
Sweden	1.2
Netherlands	1.2
Austria	1.1
Taiwan	1.1
Finland	0.9
India	0.8

Source: ITC, Geneva and Exim Bank Analysis

Table 4.14: Articles of Iron and Steel (HS-73): Potential Exports to Russia

HS code	Product label	India's Exports to Russia (US\$ mn) (2017)	Share of India in Russia's imports from World (%)	Russia's imports from world (US\$ mn) (2017)	India's exports to world (US\$ mn) (2017)
732690	Articles of iron or steel, (excluding cast articles or articles of iron or steel wire)	8.8	0.9	990.7	740.7
730890	Structures and parts of structures, of iron or steel, (excluding bridges and bridge-sections)	0.3	0.1	445.4	412.9
731815	Threaded screws and bolts, of iron or steel, whether or not with their nuts and washers	2.6	0.9	275.2	256.3
730511	Line pipe of a kind used for oil or gas pipelines, having circular cross-sections	-	-	160.3	610.4
730799	Tube or pipe fittings, of iron or steel (excluding cast iron or stainless steel products; flange)	0.3	0.3	100.6	88.8

Source: ITC, Geneva and Exim Bank Analysis

Note: - denotes negligible

Iron and Steel (HS-72)

Iron and steel were Russia's ninth largest imports in 2017, with a share of 2.1 percent in Russia's total imports. Over the past three years, the imports of this commodity have grown significantly, rising from US\$ 3.3 billion in 2015 to US\$ 4.8 billion in 2017. Kazakhstan and Ukraine have been Russia's major import sources of this commodity which accounted for a share of 22.1 percent and 20.7 percent of Russia's imports of this commodity, respectively. Other major sources included China (14.3 percent), South Korea (5.2 percent), Germany (5.1 percent), Belarus (3.3 percent) and Austria (3.3 percent),

among others (**Table 4.15**). India ranks as Russia's 12th largest import source for iron and steel.

Iron and steel comprise India's 7th largest exports, with a share of nearly 4 percent in India's global exports, indicating India's global export capability of this product. Although India's share in Russia's imports of this commodity is fairly healthy as compared to other commodities seen earlier, there exists significant potential to enhance India's exports of iron and steel to Russia, in line with Russia's import demand and India's capability to supply. Such potential items for exports at 6-digit HS commodity code are presented in **Table 4.16**.

Table 4.15: Russia's Major Sources of Imports of Iron and Steel (HS-72)

Exporters	% Share in Russia's imports of HS-72
Kazakhstan	22.1
Ukraine	20.7
China	14.3
South Korea	5.2
Germany	5.1
Belarus	3.3
Austria	3.3
Georgia	2.8
Taiwan	2.2
Belgium	2.0
Brazil	2.0
India	1.9
Poland	1.8
Finland	1.6
Spain	1.5
France	1.4
Norway	1.0
South Africa	0.9
Sweden	0.9
Italy	0.8

Source: ITC, Geneva and Exim Bank Analysis

Table 4.16: Iron and Steel (HS-72): Potential Exports to Russia

HS code	Product label	India's Exports to Russia (US\$ mn) (2017)	Share of India in Russia's imports from World (%)	Russia's imports from world (US\$ mn) (2017)	India's exports to world (US\$ mn) (2017)
721070	Flat products of iron or nonalloy steel, of a width of ≥ 600 mm, hot-rolled or cold-rolled	0.3	0.1	440.6	237.0
721049	Flat-rolled products of iron or non-alloy steel, of a width of ≥ 600 mm, hot-rolled or cold-rolled	-	-	430.0	792.5
721420	Bars and rods, of iron or non-alloy steel, with indentations, ribs, groves or other deformations	-	-	251.0	242.8
720230	Ferro-Silico-manganese	0.5	0.3	201.9	801.2
720839	Flat-rolled products of iron or non-alloy steel, of a width of ≥ 600 mm, in coils, simply	-	-	129.9	1259.8
720838	Flat-rolled products of iron or non-alloy steel, of a width of ≥ 600 mm, in coils	-	-	108.3	463.2
720837	Flat-rolled products of iron or non-alloy steel, of a width of ≥ 600 mm, in coils	-	-	106.2	336.0
720851	Flat-rolled products of iron or non-alloy steel, of a width ≥ 600 mm, not in coils	-	-	102.6	275.6

Source: ITC, Geneva and Exim Bank Analysis

Note: - denotes negligible

Edible Fruits and Nuts (HS-08)

Russia imported nearly US\$ 4.7 billion worth of edible fruits and nuts in 2017, making it the tenth largest imports of the country. Majority of the imports were sourced from Ecuador, which accounted for a share of 23.4 percent in Russia's imports of this commodity,

followed by Turkey, which held a share of 17.4 percent. Other major import sources include China (7.8 percent), Serbia (5.6 percent), South Africa (4.6 percent), Egypt and Morocco (4.5 percent each), among others (**Table 4.17**). Meanwhile, India's share in Russia's imports of the commodity stood at 0.9 percent.

While the commodity's share in India's global exports is modest, India has the capacity to reasonably meet Russia's import demand for select commodities

within this product category. Such potential items for exports at 6-digit HS commodity code have been identified and presented in **Table 4.18**.

Table 4.17: Russia's Major Sources of Imports of Edible Fruits and Nuts (HS-08)

Exporters	% Share in Russia's imports of HS-08
Ecuador	23.4
Turkey	17.4
China	7.8
Serbia	5.6
South Africa	4.6
Egypt	4.5
Morocco	4.5
Azerbaijan	4.2
Moldova	4.1
Argentina	3.3
Chile	2.6
Iran	2.6
Uzbekistan	1.8
Costa Rica	1.3
Israel	1.2
Pakistan	1.1
Vietnam	1.1
Peru	1.1
India	0.9
Georgia	0.7
Bosnia and Herzegovina	0.6

Source: ITC, Geneva and Exim Bank Analysis

Table 4.18: Edible Fruits and Nuts (HS-08): Potential Exports to Russia

HS code	Product label	India's Exports to Russia (US\$ mn) (2017)	Share of India in Russia's imports from World (%)	Russia's imports from world (US\$ mn) (2017)	India's exports to world (US\$ mn) (2017)
080390	Fresh or dried bananas (excluding plantains)	-	-	1140.4	48.9
080610	Fresh grapes	38.0	9.5	398.4	271.6
081090	Fresh Tamarinds, Cashew Apples, Jackfruit, Lychees, Sapodillo Plums, Passion fruit, Carambola	1.2	1.4	81.7	109.2

Source: ITC, Geneva and Exim Bank Analysis

Note: - denotes negligible

Rubber and its Articles (HS-40)

Russia's imports of rubber and its articles increased to US\$ 3.6 billion in 2017, up from US\$ 2.8 billion in 2016, making it the eleventh largest imports during 2017, with a share of 1.6 percent of Russia's total imports during the year. China and Japan were the major sources of import of rubber products for Russia, with a share of 13.6 percent and 11.9 percent of Russia's imports of the commodity in 2017, respectively. Other major sources of imports included Germany (9.2 percent), South Korea (6.6 percent), Poland (5.1 percent), and Thailand (4.7 percent), among others (Table 4.19).

At the same time, India is the one of the largest producer of natural rubber in the world, with its exports of rubber products increasing to reach US\$ 2.8 billion in 2017, up from US\$ 2.4 billion in the previous year. However, Russia's imports of rubber products from India accounted for a relatively small share of 1.4 percent, although it is better when compared to other aforementioned commodities. Nevertheless, there exists significant potential to increase India's exports of rubber items to Russia, in line with Russia's import demand and India's capability to supply. Such potential items for exports at 6-digit HS commodity code are presented in Table 4.20.

Table 4.19: Russia's Major Sources of Imports of Rubber and its Articles (HS-40)

Exporters	% Share in Russia's imports of HS-40
China	13.6
Japan	11.9
Germany	9.2
South Korea	6.6
Poland	5.1
Thailand	4.7
Indonesia	4.3
Malaysia	4.2

Belarus	4.0
USA	3.8
Spain	3.6
Italy	3.1
France	3.0
Czech Republic	2.0
Turkey	1.7
Serbia	1.7
Slovakia	1.5
India	1.4
UK	1.4
Romania	1.3
Finland	1.0

Source: ITC, Geneva and Exim Bank Analysis

Table 4.20 Rubber and its Articles (HS-40): Potential Exports to Russia

HS code	Product label	India's Exports to Russia (US\$ mn) (2017)	Share of India in Russia's imports from World (%)	Russia's imports from world (US\$ mn) (2017)	India's exports to world (US\$ mn) (2017)
401170	New pneumatic tyres of rubber, of a kind used on agricultural or forestry vehicles and machines	13.2	2.7	491.5	71.1
401120	New pneumatic tyres of rubber, of a kind used for buses and lorries	-	-	444.9	475.0
401699	Articles of vulcanised rubber (excluding hard rubber)	4.4	1.8	248.5	292.4
401180	New pneumatic tyres of rubber, of a kind used on construction, mining or industrial handling	5.0	2.2	227.9	435.3
401110	New pneumatic tyres of rubber, of a kind used for motor cars, incl. station wagons and racing	0.6	0.4	146.2	654.0
401693	Gaskets, washers and other seals of vulcanised rubber (excluding hard rubber)	1.2	1.7	75.4	237.5

Source: ITC, Geneva and Exim Bank Analysis

Note: - denotes negligible

Ships, Boats and floating structures (HS-89)

Ships, boats and floating structures constitute 1.4 percent of Russia's total imports in 2017, which are majorly sourced from Finland, South Korea and Singapore, that account for a share of 20.4 percent, 18 percent and 17 percent of Russia's imports of this commodity, respectively. Other major sources of imports include Norway (10 percent), China (4.6 percent), Canada and Netherlands (4 percent each) respectively, among others (Table 4.21).

Meanwhile, India's exports of ships, boats and floating structures increased to US\$ 4.6 billion in 2017, up from US\$ 3.2 billion in the previous year, accounting for a share of 1.6 percent of India's total exports in 2017. However, India's share is negligible in Russia's imports of the commodity. With a view to enhancing India's exports of the commodity to Russia, select potential items at 6-digit HS code have been identified in line with Russia's import demand and India's supply capability, which is presented in Table 4.22.

Table 4.21: Russia's Major Sources of Imports of Ships, Boats and floating structures (HS-89)

Exporters	% Share in Russia's imports of HS-89
Finland	20.4
South Korea	18.0
Singapore	17.0
Norway	10.0
China	4.6
Canada	4.0
Netherlands	4.0
Turkey	2.6
Japan	2.3
Ukraine	2.0
Spain	1.7
Germany	1.7
Romania	1.6
UK	1.1
Indonesia	0.8
Vietnam	0.6
Italy	0.5
USA	0.5

Source: ITC, Geneva and Exim Bank Analysis

Table 4.22 Ships, Boats and Floating Structures (HS-89): Potential Exports to Russia

HS code	Product label	India's Exports to Russia (US\$ mn) (2017)	Share of India in Russia's imports from World (%)	Russia's imports from world (US\$ mn) (2017)	India's exports to world (US\$ mn) (2017)
890690	Vessels, incl. lifeboats (excluding warships, rowing boats and other vessels)	-	-	861.0	303.8
890190	Vessels for the transport of goods and vessels for the transport of both persons and goods	-	-	542.7	188.3
890590	Light -vessels, fire-floats, floating cranes and other vessels	-	-	523.8	1997.9
890400	Tugs and pusher craft	-	-	129.5	525.5

Source: ITC, Geneva and Exim Bank Analysis

Note: - denotes negligible

Footwear, gaiters and parts of such articles (HS-64)

Russia's imports of footwear, gaiters and their parts amounted to US\$ 3.2 billion in 2017, accounting for a share of 1.4 percent of Russia's total imports during the year. More than half of these imports were sourced from China, which accounted for 52.4 percent of the total imports of this commodity. Other import sources included Italy (11.8 percent), Vietnam (9.8), Indonesia (3.3 percent) and India (2.2 percent), among others (**Table 4.23**).

While India is the fifth largest import source of this commodity for Russia, India's share remains smaller relative to its peers. Given that India exported US\$ 2.8 billion worth of footwear in 2017, which indicates India's capability to meet Russian demand for imports of this commodity, there exists potential to enhance Indian exports of footwear to Russia. Such potential items have been identified and presented in **Table 4.24**.

Table 4.23: Russia's Major Sources of Imports of Footwear, gaiters and parts of such articles (HS-64)

Exporters	% Share in Russia's imports of HS-64
China	52.4
Italy	11.8
Vietnam	9.8
Indonesia	3.3
India	2.2
Turkey	2.1
Portugal	2.0
Belarus	1.7
Romania	1.3
Spain	1.2
Tunisia	0.9
Poland	0.9
Cambodia	0.9
Morocco	0.8
Slovakia	0.8
Thailand	0.8
Bangladesh	0.7
Ukraine	0.7
Germany	0.6
Brazil	0.5

Source: ITC, Geneva and Exim Bank Analysis

Table 4.24 Footwear, gaiters and parts of such articles (HS-64): Potential Exports to Russia

HS code	Product label	India's Exports to Russia (US\$ mn) (2017)	Share of India in Russia's imports from World (%)	Russia's imports from world (US\$ mn) (2017)	India's exports to world (US\$ mn) (2017)
640399	Footwear with outer soles of rubber, plastics or composition leather, with uppers of leather	21.6	2.8	774.3	284.2
640391	Footwear with outer soles of rubber, plastic s or composition leather, with uppers of leather	18.1	2.8	654.6	821.3
640299	Footwear with outer soles and uppers of rubber or plastics (excluding covering the ankle)	0.4	0.1	420.9	117.7

Source: ITC, Geneva and Exim Bank Analysis

Miscellaneous Chemical Products (HS-38)

Russia's imports of miscellaneous chemical products also amounted to US\$ 3.2 billion in 2017, and accounted for 1.4 percent of Russia's total imports during the year. Majority of these imports were sourced from four countries namely Germany, France, USA and China, which collectively accounted for more than half of the imports of this commodity. Other key import sources included Belgium, which accounted for a share of 4.9 percent, Italy (4.5 percent), and UK (4.2 percent), among others (Table 4.25).

India's exports of this commodity amounted to US\$ 3.7 billion in 2017, and accounted for a share of 1.3 percent of India's total exports during the year. However, India's potential to export the commodity to Russia remains largely untapped, with India's share in Russia's imports of the commodity remaining relatively low at 1.9 percent. With a view to increasing India's exports of the commodity to Russia, potential items for exports at 6-digit HS commodity code have been identified and presented in Table 4.26.

Table 4.25: Russia's Major Sources of Imports of Miscellaneous Chemical Products (HS-38)

Exporters	% Share in Russia's imports of HS-38
Germany	18.4
France	14.0
USA	11.4
China	10.3
Belgium	4.9
Italy	4.5
UK	4.2
Spain	3.0
Netherlands	2.5
Belarus	2.5
Denmark	2.0
India	1.9
Poland	1.8
Hungary	1.7
Austria	1.5
Indonesia	1.1
Japan	1.0
South Korea	1.0
Sweden	1.0

Source: ITC, Geneva and Exim Bank Analysis

Table 4.26 Miscellaneous Chemical Products (HS-38): Potential Exports to Russia

HS code	Product label	India's Exports to Russia (US\$ mn) (2017)	Share of India in Russia's imports from World (%)	Russia's imports from world (US\$ mn) (2017)	India's exports to world (US\$ mn) (2017)
382499	Chemical products and preparations of the chemical or allied industries	6.1	1.1	538.3	152.6
380893	Herbicides, anti-sprouting products and plant -growth regulators	1.3	0.3	437.7	695.3
380892	Fungicides	2.5	1.1	222.2	514.4
382200	Diagnostic or laboratory reagents on a backing, prepared diagnostic or laboratory reagents	0.2	0.1	212.9	52.1
380891	Insecticides	3.6	2.3	156.3	757.6
381511	Supported catalysts with nickel or a nickel compound as the active substance	3.1	5.2	59.3	60.7
382370	Fatty alcohols, industrial	2.9	5.4	54.0	61.3

Source: ITC, Geneva and Exim Bank Analysis

Essential Oils, Perfumery, Cosmetic or Toilet Preparation (HS-33)

In the recent years, Russia's imports of essential oils, perfumery and cosmetic preparations have risen, from US\$ 2.6 billion in 2015, to US\$ 3.1 billion in 2017, accounting for a share of 1.3 percent in Russia's total imports during the year. Nearly 25.6 percent of these imports are sourced from France and another 10.8 percent from Germany, which stand as the two largest import sources for this commodity, followed by Italy (8.5 percent), Poland (6.1 percent), USA (6.1 percent)

and UK (5.1 percent), among others (**Table 4.27**).

Meanwhile, India's share in Russia's imports of the commodity also remains meagre relative to its peers, at 1 percent in 2017. While this commodity's share in India's global exports is relatively smaller, nevertheless, India has the capacity to reasonably meet Russia's import demand for select commodities within this product category. Such potential items for exports at 6-digit HS commodity code have been identified and presented in **Table 4.28**.

Table 4.27: Russia's Major Sources of Imports of Essential Oils, Perfumery, Cosmetic or Toilet Preparation (HS-33)

Exporters	% Share in Russia's imports of HS-33
France	25.6
Germany	10.8
Italy	8.5
Poland	6.1
USA	6.1
UK	5.1
China	4.5
Ireland	4.4
Romania	3.0
Spain	3.0
Switzerland	3.0
South Korea	2.4
Belarus	1.7
Japan	1.6
Belgium	1.5
India	1.0
Turkey	1.0
Sweden	0.9
Israel	0.9

Source: ITC, Geneva and Exim Bank Analysis

**Table 4.28 Essential Oils, Perfumery, Cosmetic or Toilet Preparation (HS-33):
Potential Exports to Russia**

HS code	Product label	India's Exports to Russia (US\$ mn) (2017)	Share of India in Russia's imports from World (%)	Russia's imports from world (US\$ mn) (2017)	India's exports to world (US\$ mn) (2017)
330499	Beauty or make -up preparations and preparations for the care of the skin (other than medicaments)	7.4	1.1	682.7	132.6
330300	Perfumes and toilet waters (excluding aftershave lotions, personal deodorants and hair lotions)	-	-	544.3	179.3
330590	Preparations for use on the hair (excluding shampoos, preparations for permanent waving	0.4	0.2	241.2	123.1
330290	Mixtures of odoriferous substances and mixtures, incl. alcoholic solutions	0.2	0.1	221.4	207.4
330610	Dentifrices, incl. those used by dental practitioners	0.6	0.4	138.5	71.6

Source: ITC, Geneva and Exim Bank Analysis

Note: - denotes negligible

5. AREAS FOR ENHANCING BILATERAL ECONOMIC COOPERATION

Enhancing Energy Cooperation

The economies of India and Russia complement each other in the energy sector. Both the countries recognize that a wider use of natural gas is economically efficient and environmentally friendly. While contributing to fulfilling the provisions of the Paris Agreement on Climate Change, as well as achieving sustainable economic growth. Both countries have noted the value of natural gas in helping the two states achieve their goals under the Paris Climate Agreement.

The International Energy Agency's World Energy Outlook⁷ forecasts that India will be the largest contributor to global demand growth and its share of global energy use is expected to rise to 11 percent by 2040. According to BP statistical review of world energy, India's consumption of natural gas has increased from 49.8 billion cubic metres (bcm) in 2013 to 54.2 bcm in 2017. The Ministry of Petroleum and Natural Gas, Government of India's 'Hydrocarbon Vision 2025' forecasts a growth in the share of natural gas in India's future energy supply to 20 percent by 2024-25, up from 14 percent in 2010-11, while India's dependence on oil will reduce to 25 percent in 2024-25 from 30 percent in 2010-11⁸. Meanwhile, Russia has one of the world's largest reserves of natural gas accounting for 18.1 percent of world total proven reserves, and witnessed a rise in production of gas to 635.6 bcm in 2017, soaring by 8.2 percent over the previous year.

In recent times, cooperation in alternative /renewable energy sources has been increasing and has emerged as one of the hallmarks of the strategic partnership between the two countries.

Strengthening Infrastructure Cooperation

In order to step up efforts aimed at modernizing infrastructure in both Russia and India, it is essential that the two countries explore new ways to jointly respond to challenges pertaining to infrastructure development, while also addressing key issues related to food security, conservation of water and forest resources. This can be done by promoting and incentivizing Russian investments in India's major infrastructure projects like DMIC, Smart Cities and Freight Corridors, as well as in broader sectors such as telecom, power and roads. One way of doing this is by encouraging specialized investment funds to invest in these sectors and in the joint manufacturing of high technology products. At the same time, in Russia, Indian participation in Industrial Parks and technology platforms, in sectors like pharmaceuticals, fertilizers, coal and energy could also be encouraged by similar means.

Recognizing the strength of Russia in shipbuilding, river navigation and desalination technologies, there exist vast opportunities for joint development of projects through transfer of technology and experience sharing for developing inland waterways, river embankments, ports and cargo containers towards effective utilization of extensive river systems in India. Moreover, in the railroad sector, opportunities exist in the development of high speed railways, dedicated freight corridors, application of newer technologies for efficient rail transport through joint development and sharing of technologies, and training of personnel for mutually benefitting from the proficiencies of the two countries.

⁷ World Energy Outlook 2017, International Energy Agency

⁸ "India Hydrocarbon Vision 2025", Ministry of Petroleum and Natural Gas, Government of India

International North-South Transport Corridor (INSTC)⁹

The International North-South Transport Corridor is a multiparty initiative established in September 2000 in St. Petersburg by India, Russia and Iran, and was later expanded to include 10 new members namely Armenia, Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkey, Ukraine, Belarus, Oman and Syria. Bulgaria was accorded observer status. The INSTC aims to secure shared economic interests such as free flow of goods and people.

The corridor, which is a land- and sea-based multi-modal transport network, aims to connect the Indian Ocean and the Persian Gulf to the Caspian Sea via Iran and afterwards to Russia, and finally to North Europe. It is estimated that transportation costs for goods travelling along the INSTC is likely to be reduced by US\$ 2,500 per 15 tons of cargo, reducing carriage cost by 30 percent; and transit time to reduce to 25-30 days as compared to 40-60 days taken at present via the Suez Canal route, reducing transit time by 40 percent.

Augmenting Cooperation in ICT

Another area which has serious prospects for cooperation is information and communications technologies (ICT). While Russia has made significant progress in the areas of computer programming, artificial intelligence and robotics, India, on the other hand, holds a world-class software industry with a large highly-skilled workforce. Russian state-owned enterprises have invested over Rb 23 billion in artificial intelligence services over the past decade. The Russian government has also invested in projects focused on data analysis, decision-making algorithms, image, and video recognition in different industries such as military, transport, natural gas and healthcare. Bearing in mind that IT and related services are India's largest services exports and the overwhelming demand in Russia, Russia can be a

valuable market in the information technology sector. There exist opportunities for the Indian IT industry in Russia with the two sides exploring cooperation in both software and hardware sectors, and in the area of cyber-security to combat radical groups and other threats. Indian companies may also collaborate with Russian companies to jointly explore opportunities in IT and software sectors.

India-EAEU FTA

India and the Eurasian Economic Union (EAEU, also known as EEU) are currently in the process of negotiating a Free Trade Agreement (FTA). The EAEU, established in 2015, could emerge as a prospective partner for India for enhancing bilateral trade with the CIS countries. In December 2016, Eurasian Economic Union (EAEU) approved the decision to start negotiations between India and the EAEU for signing an FTA. Currently, bilateral trade between India and EAEU is close to US\$ 9 billion, which peaked at close to US\$ 11 billion during in 2012-2014. With the use of modern instruments of trade policy, this trade is likely to grow significantly. The Joint Feasibility Study Group report¹⁰ published in 2017 showed a potential growth of bilateral trade between India and EAEU up to US\$ 37-62 billion. While the exports from the EAEU to India have the potential of an additional growth of US\$ 23-38 billion, the exports from India to the EAEU has a potential for an additional growth of US\$ 14-24 billion.

Further, the elimination of tariffs by the EAEU may increase India's exports to the EAEU for different categories of products including:

- Agricultural products such as crops, processed food, tea and other edible preparations; and
- Industrial products such as pharmaceuticals, textiles, clothing, chemicals, electrical equipment and machinery.

⁹ INSTC Conference Report, Ministry of Commerce and Industry, Government of India

¹⁰ EAEU Report (January 16, 2017), Ministry of Commerce and Industry, Government of India

The possible key benefits of the FTA between India and the Eurasian Economic Union would include, among others¹¹:

1. Increasing market access through facilitation of market entry, increased access to European markets and promotion of joint ventures (JVs) and technical collaboration;
2. Alleviating barriers to trade through reduced import duty or enhanced import tax benefits, unified customs certification and mutual recognition of quality standards;
3. Promoting ease of doing business through enhanced investment security, transport connectivity and logistics;
4. Providing new opportunities of Indian Industries in sectors such as construction, energy, legal, medical devices, pharmaceuticals, rubber, and tourism; and
5. Resolving consular issues pertaining to visa regime and provision for visa on arrival for facilitating business travel as well as tourism.

Trading in National Currencies

Since 2014, there has been an increased emphasis on promoting settlements of India-Russia trade in national currencies in order to reduce dependence on other currencies. This has been reiterated in the Saint Petersburg Declaration of 2017, which highlights the two countries' intentions to encourage the business communities to utilize the existing frameworks and mechanisms for trade related settlements in national currencies elaborated by the Reserve Bank of India and the Bank of Russia¹². This favourable step could bind the two countries' trade and economic interaction and reduce their dependence on other foreign countries, thereby decreasing the impact of exchange rate variations on their bilateral trade.

Establishing Credit Rating Industry

Recognizing the pressing need to develop a credit rating industry that is transparent for the market

participants and independent from political conjecture, the two countries have indicated in the Saint Petersburg Joint Declaration, their commitment to support work aimed at exploring the opportunities of harmonization of the two countries' legislation in the area of credit ratings, as well as the recognition of ratings of the local credit rating agencies in India and Russia. Such an establishment of an international credit rating agency with an aim to offset the predisposed agendas of some of the existing international rating agencies could prove beneficial to majority of the emerging market economies that remain subject to poor sovereign credit ratings despite their improving economic and political fundamentals.

Knowledge Sharing and Technology Transfer

Considering that both India and Russia are committed to building knowledge based economies on the basis of latest scientific advances and innovation, it is imperative to broaden cooperation in knowledge sharing and technology transfer. Such an initiative is set to benefit designing, developing, manufacturing of high-technology products, and strengthen scientific collaboration in areas such as space technology, aviation, new materials, agriculture, information and communication technologies, medicine, pharmaceuticals, robotics, nanotechnology, supercomputing technologies, artificial intelligence and material sciences, among others. Such collaborative efforts may also help the two countries to address global challenges such as climate change, environmental protection, clean energy, cyber security, affordable health care, and marine biology, among others, through scientific discoveries and will help explore priority areas of common interest. In the St Petersburg joint declaration of 2017, the two countries also expressed their commitment towards creating networks of knowledge centres, connectivity of minds and scientific corridors to augment innovation led technology development for societal development.

¹¹ EAEU-FTA Survey Report, FICCI

¹² Press Information Bureau, Government of India

6. KEY ACTIVITIES OF EXPORT-IMPORT BANK OF INDIA IN RUSSIA

The Export-Import Bank of India (Exim Bank) was set up under an Act of Parliament in 1981 and commenced operations in 1982. Exim Bank was set up for providing financial assistance to Indian exporters and importers, and for functioning as the principal financial institution for coordinating the working of institutions engaged in financing export and import of goods and services with a view to promoting the country's international trade. In its endeavour to promote India's international trade, Exim Bank's vision has evolved from financing, facilitating and promoting trade and investments, to a conscious and systematic effort at creating export capabilities. Exim Bank today seeks to develop commercially viable business relationships with externally oriented companies.

Exim Bank's Key Activities

Lines of Credit

To enhance bilateral trade and investment relations with partner countries, and as part of its financing programmes, Exim Bank has extended several Lines of Credit (LOCs) to overseas sovereign governments or their nominated agencies, national or regional development banks, overseas financial institutions, commercial banks abroad, and other select overseas entities, to enable buyers in those countries to import developmental and infrastructure projects, equipment, goods and services from India, on medium and long term credit basis.

These LOCs offer a risk free financing option to the Indian exporting companies, while helping them penetrate new markets, enhance their export volumes in the overseas market, and demonstrate project execution capabilities. The LOCs are aimed at financing and catalysing Indian exports by way of financing key projects of national importance to the borrower countries, such as agriculture and irrigation development, development of various small and

medium enterprises, upgradation of factories, development of railways and related infrastructure, projects for transmission lines and substations, rehabilitation and improvement of water supply system, among many others.

To promote India's trade and economic relations with developing countries, the Government of India launched the Indian Development and Economic Assistance Scheme (IDEAS) – with the objective of sharing India's development experience through capacity building and skill transfer, trade, and infrastructure development, by extending concessional LOC's routed through Exim Bank, to developing partner countries, towards creating socio-economic benefits in the partner country. The LOC programme has gained considerable recognition abroad, as it enables the LOC recipient countries access to much needed large scale developmental and infrastructure projects, on concessional and deferred credit terms.

As on July 31, 2018, Exim Bank has extended a direct line of credit (LOC) amounting to US\$ 100 million, to Vnesheconombank for various general purposes.

Overseas Investment Finance

Exim Bank supports Indian companies in their endeavour to globalise their operations, through overseas joint ventures (JVs) and wholly owned subsidiaries (WOS). Such support includes loans and guarantees, equity finance and in select cases direct participation in equity along with Indian promoters to set up such ventures overseas. These ventures serve to promote value addition, as also contribute to capacity building and capacity creation in host countries. As on July 31, 2018, Exim Bank has provided such finance to ZAO Srei Leasing in Russia in the Financial Sector (Infrastructure Leasing) under its JV financing program, with a sanctioned amount of 126.7 crore (approximately US\$ 18.3 million).

Project Exports

Under its Project Exports assistance, Exim Bank extends both funded and non-funded facilities for overseas turnkey projects, civil construction, supplies as well as technical and consultancy service contracts across various sectors of the economy. Exim Bank has financed several Indian project exporters in the region in various sectors including, water resources development and power projects; irrigation and power projects; gas pipeline and power projects; and hydropower projects, among others. These include the provision of specific equipment related to supplies, construction and building materials, consultancy, technical know-how, technology transfer, design, and engineering. Exim Bank also supports existing or new projects, plants or processes that require additional assistance in processes such as international competitive bidding, including multilaterally funded projects in India. Such projects executed by assistance received from Exim Bank, have contributed to the host country's developmental endeavours and have assisted in narrowing developmental gaps in such countries.

Buyer's Credit under National Export Insurance Account (NEIA)

In order to provide further impetus to project exports from India on medium or long-term basis, especially in the infrastructure sector, in April 2011, a product called Buyer's Credit under National Export Insurance Account (BC-NEIA) was introduced. NEIA is a Trust, set up by Ministry of Commerce and Industry, Government of India, and administered by ECGC. Under this programme, Exim Bank facilitates project exports from India by way of extending credit facility to overseas sovereign governments and government-owned entities for import of goods and services from India on deferred credit terms. Indian exporters can obtain payment of eligible value from Exim Bank, without recourse to them, against negotiation of shipping documents. As on date, a positive list of 88 countries has been identified by ECGC (including Russia) for which Indian exporters can avail Buyer's Credit under NEIA.

Exim Bank and the BRICS Interbank Cooperation Mechanism

Exim Bank is the nominated member development bank under the BRICS Interbank Cooperation Mechanism. Other nominated member development banks from BRICS nations are: Banco Nacional de Desenvolvimento Economico e Social – (BNDES), Brazil; State Corporation Bank for Development and Foreign Economic Affairs – Vnesheconombank, Russia; China Development Bank Corporation, and Development Bank of Southern Africa.

Institutional Linkages

Exim Bank has been consciously forging a network of alliances and institutional linkages to help further economic co-operation with BRICS countries. These endeavours are supplemented by the various Memoranda of Cooperation (MOCs) / Memoranda of Understanding (MOUs), the Bank has in place, with key institutions in Russia including:

- Export-Import Bank of the Russian Federation, Russia
- Vnesheconombank, Russia

Knowledge Sharing Through Research Studies

Exim Bank, besides offering various financial products to support Indian exporters and entrepreneurs, also carries out in-depth economic research on areas related to bilateral trade and investment, sector/ product/ country and regional studies, as also policy issues related to the external sector with a view to enhancing competitiveness of Indian exporters. Some of the recent publications of Exim Bank focusing on Russia includes:

- Research and Development in BRICS: An Insight
- Potential for Enhancing India's Trade with Russia: A Brief Analysis
- Intra-BRICS Trade: An Indian Perspective
- Sustainable Investment Opportunities in Africa: Prospects for BRICS

7. KEY OBSERVATIONS AND CONCLUSION

As highlighted in the previous chapters, India and Russia have enjoyed 70 years of strong partnership, which has strengthened further over the recent years. However, despite concerted efforts to strengthen bilateral ties, there exists immense untapped potential, particularly in terms of trade. India's share in both Russia's global exports and Russia's global imports is relatively low, when compared to Russia's other major trade partners. At the same time, India's top exports to Russia such as pharmaceuticals, machinery and mechanical appliances, aircrafts, electrical machinery and equipment, have not realised their full potential despite the high import demand for these products in Russia.

Some of the possible challenges that constrain the trade interactions between India and Russia could be in trade logistics. Merchandise trade delivery from India to Russia by sea or land can take between 40 to 55 days, which certainly increases the associated costs. This in turn makes India less attractive for the Russian traders, who are more inclined towards importing goods from Europe or China owing to the lesser number of days required for transportation of goods. The implementation of the International North-South Transport Corridor, in this regard, is certainly an important step, which will ease the flow of goods and positively facilitate trade relations thereby.

Additionally, important programmes such as the operationalization of Green Corridor project between the two countries could provide a major boost to bilateral trade. The creation of a free trade zone under the FTA between India and the Eurasian Economic Union (EEU) could also facilitate trade between Russia

and India. While the negotiation is still underway, a major possible challenge is to conclude an arrangement, the conditions of which are agreed upon by all member state of the EEU, and this could potentially delay the agreement from coming into effect in the near future.

As regards investments, it is important to note that India's investment relations with Russia are mainly concentrated in the oil and gas and pharmaceutical sectors. While there is potential in other important sectors such as software and ICT, automotive, and aerospace, etc., they largely remain untapped. In this regard, it is important for India and Russia to considerably enhance the private sector engagement of their industry sectors, and also to establish partnerships for technology transfer and joint ventures in defence and nuclear energy components. Presently, the bilateral economic relationship is greatly dependent on collaboration between government-controlled companies, which could lead to impediments in cross-interaction between public sector companies and private companies in the two countries. It is thus, imperative that both the countries attract private sector companies, including start-ups to the business dialogue for facilitating conditions for doing business.

Finally, collaboration in Government of India's flagship initiatives such as Make in India, development of smart cities, high-tech innovation and knowledge sharing, infrastructure development and cooperation in defence, education, people-to-people contact, science and technology also provide opportunities for forging closer partnerships between the two countries.

About Exim Bank's Working Paper Series

As part of its endeavour in enriching the knowledge of Indian exporters and thereby to enhance their competitiveness, Exim Bank periodically conducts research studies. These research studies are broadly categorized into three segments, viz. sector studies, country studies and macro-economic related analysis. These studies are published in the form of Occasional Papers, Working Papers and Books. The research papers that are brought out in the form of Working Papers are done with swift analysis and data collation from various sources. The research papers under the series provide an analytical overview on various trade and investment related issues.

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