

# PL RAJ IAS & IPS ACADEMY

MAKING YOU SERVE THE NATION

#### INDIA-RUSSIA TRADE - ECONOMY

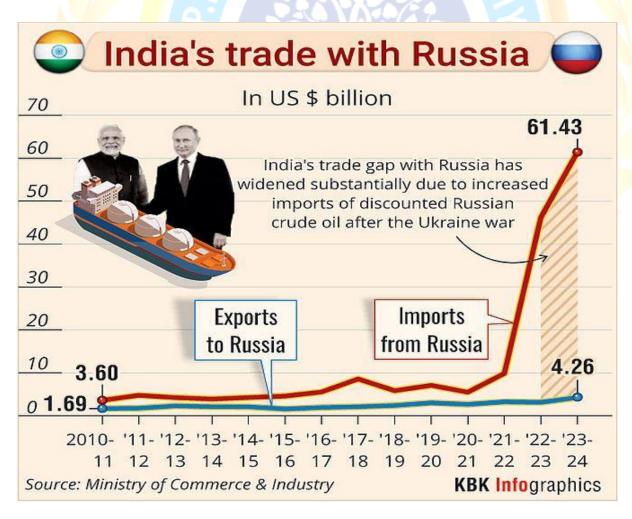
**NEWS:** India and Russia aim to reach \$100 billion in bilateral trade by 2030, a target that External Affairs Minister S. Jaishankar considers "more than realistic."

• **Trade Imbalance**: The current trade balance heavily favors Russia, which Jaishankar emphasized requires "urgent correction" to ensure balanced economic relations.

#### WHAT'S IN THE NEWS?

# **Push for National Currency Trade Settlement**

- Mutual Benefits: Jaishankar, Union Minister of External Affairs,
- advocated for trade settlements in national currencies (rupee and rouble), highlighting that this approach would be mutually beneficial, especially given the "current circumstances" of international banking sanctions against Russia.
- Special Rupee Vostro Accounts: These accounts facilitate rupee transactions with Russia and have proven effective, though achieving a balanced trade is essential for the long-term success of this mechanism.



# **Current Trade Data and Growing Deficit**

- Trade Increase Post-Sanctions: Due to Western sanctions against Russia since the 2022 Ukraine conflict, India's trade with Russia has surged, primarily driven by increased oil imports at discounted rates.
- Trade Figures for 2023-24: India's imports from Russia reached \$61.15 billion, while exports were just \$4.26 billion, resulting in a significant trade deficit of \$56.89 billion.

## Non-Tariff Barriers and Regulatory Issues

- Need for Regulatory Reforms: Jaishankar called for the swift removal of non-tariff barriers and other regulatory obstacles that currently hinder a balanced trade relationship.
- Importance of Bilateral Investment Treaty: Accelerating negotiations on the Bilateral Investment Treaty between India and Russia is crucial for improving trade and investment flows.

# Focus on Connectivity Initiatives

- **Key Connectivity Projects**: Jaishankar emphasized the importance of three major connectivity initiatives:
  - International North-South Transport Corridor (INSTC)
  - Chennai-Vladivostok Maritime Corridor
  - Northern Maritime Route
- Role in Trade Expansion: These initiatives are expected to strengthen trade routes, enhance connectivity, and support increased bilateral trade.

#### **India-Eurasian Economic Union Trade Talks**

- Strategic Trade Negotiations: India and Russia are engaged in trade discussions within the India-Eurasian Economic Union, with formal trade negotiations starting in March 2023.
- Potential Benefits: These talks are expected to boost two-way trade and attract greater investment flows, contributing to the \$100 billion target.

# Importance of Energy and Fertilizer Sectors

- Energy Demand: Jaishankar emphasized India's significant role in global energy markets, particularly in oil, gas, coal, and uranium, highlighting the potential for long-term partnerships.
- **Fertilizer Sector**: India's high demand for fertilizers presents another area for mutually beneficial trade, helping both countries address supply volatility.



## **Strengthening Long-Term Partnerships**

- **Beyond Transactional Relations**: Jaishankar stressed that the India-Russia relationship should focus on long-term, strategic cooperation rather than short-term, transactional exchanges.
- **Mutual Approach for Stability**: Establishing a stable and sustainable trade arrangement is essential to navigate the "volatility and uncertainty" of current times.

## **India-Russia Inter-Governmental Commission Meeting**

- **Bilateral Review**: Jaishankar and Russian Deputy Prime Minister Denis Manturov are set to participate in the India-Russia Inter-Governmental Commission meeting in Delhi.
- Industry Inputs for Policy Making: Discussions at the India-Russia Business Forum are expected to provide valuable insights for policymakers, strengthening future cooperation.

**Source:** <a href="https://indianexpress.com/article/business/india-russia-one-sided-balance-of-trade-jaishankar-9665029/">https://indianexpress.com/article/business/india-russia-one-sided-balance-of-trade-jaishankar-9665029/</a>

