

India looking at holding talks with Russia to reduce trade deficit

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India is preparing to hold Russia to its promise of helping achieve a more balanced bilateral trade — presently skewed heavily in Moscow's favour — which was made during Prime Minister Narendra Modi's recent visit to the country when the two sides set a bilateral trade target of \$100 billion by 2030, sources said.

A high-level delegation, comprising officials from the Commerce Department and the RBI, is readying to visit Moscow to discuss with Russian officials issues that are obstructing India's exports to the country. The two sides are also expected to discuss implementation of the proposed national currency settlement system and how to make the existing rupee payment mechanism more effective, a source tracking the matter told *businessline*.

BILATERAL TRADE TARGET

"During the visit of the Indian delegation, it is expected that the Russian side will take serious note of the barriers to export identified by India and remove them so that Indian exports could increase. Talks are also expected between RBI officials and their Russian counterparts on the rupee payment mechanism, that has not picked up as well as intended, and the proposed national currency settlement system, where trade will take place in both rupee and rouble," the source explained.

Prime Minister Narendra Modi and Russian President Vladimir Putin fixed a bilateral annual trade target of \$100 billion, to be achieved by 2030, from about \$65 billion in 2023-24, at a recent annual summit in Moscow and also agreed to work on reducing India's trade deficit with Russia by increasing Indian exports.

ADDRESSING TRADE GAP

Modi visited Russia early last month to participate in a bilateral summit with Russian PM Vladimir Putin where the two decided to set a bilateral trade target of \$100 billion by 2030, up from about \$65 billion at present.

Acknowledging the trade gap of about \$57 billion (Russia's exports to India in 2023-



WAY FORWARD. India and Russia set a bilateral trade target of \$100 b by 2030 *PTI*

24 were estimated at about \$61 billion against imports of \$4 billion), the joint statement following the summit, stressed on achieving a more balanced and sustainable bilateral trade in the long term by increasing Indian exports to Russia.

"While it is not possible to bridge the trade gap beyond a point as it is mostly due to export of Russian oil to India, a part of it can be addressed by easing non-tariff barriers for items such as marine products, pharmaceuticals and some consumer goods," the source said.

Russia has also increased its imports of certain items from India, such as engineering products, but it needs to do much more, the source added.

It was after the West imposed economic sanctions against Russia following its attack on Ukraine in February 2022, Russia started selling discounted crude to India, which resulted in a manifold increase in India's import from the country.

This ultimately resulted in a high trade deficit as India's exports to the country remained low.

PAYMENT MECHANISM

"The Department of Commerce has also sought inputs from the industry to identify the obstacles faced by them in exporting to Russia and also come up with suggestions to sort out the situation, the official added.

Talks on the rupee payment mechanism and the proposed national currency settlement system are also important as these help the two countries circumvent banking sanctions put in place by the West against Russia.