

India-Russia ties remain slow on investments

Other economic parameters outside trade also lag

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India's growing proximity to Russia has not fully extended to investment flow and other economic parameters outside of trade.

Prime Minister Narendra Modi's visit to the country, earlier this week, included announcements of an annual trade target of \$100 billion by 2030, a plan to eliminate trade barriers and restoring balance in bilateral trade. Other economic parameters have seen less traction amid sanctions following the Ukraine war.

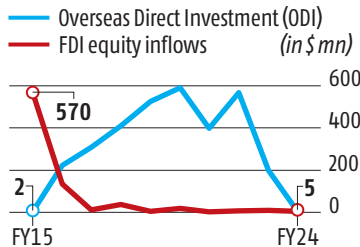
On the investment front, foreign direct investment (FDI) inflows and overseas direct investments (ODI) from and to Russia were just \$5 million in the financial year 2023-24 (FY24).

In fact, equity inflows from Russia were declining even before the war began in 2022. Investments by Indians in Russia fell over 97 per cent year-on-year (Y-o-Y), according to the latest data available for FY24 (*chart 1*).

Trade between the two countries has picked up, especially since India started importing cheap Russian crude oil after the start of war.

The total value of trade between the two countries has risen 400 per

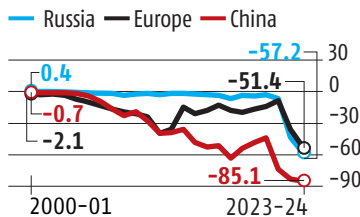
INVESTMENT SLOWS DOWN



Note: Compiled by BS Research Bureau
Source: Department of Economic Affairs, Department for Promotion of Industry and Internal Trade

RUSSIA DEFICIT SURPASSES THAT OF EUROPE

India's trade deficit with respective countries (in \$ bn)



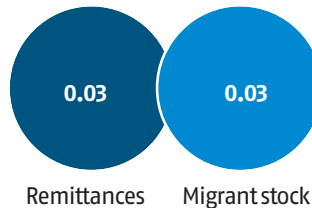
Note: Data for key trading partners.
Source: CMIE, Business Standard calculations

cent since the beginning of the war in FY22. It grew 53 per cent in the 10 years ending FY19 before the Covid disruptions. Before the war in FY22, India's annual import bill from Russia was \$9.9 billion. Imports have



LIMITED REMITTANCE, MIGRANT SHARE

Russia share (in %)



Note: Data is approximate
Source: ICRA ('India-Russia trade and financial flows,' December 2023)

ballooned to over \$61.4 billion in FY24. This has led to a widening trade deficit between India and Russia. The deficit is now the largest since at least 2000-01. Trade deficit with Russia has now exceeded India's deficit with all of

Europe, another large trading partner with which it has had a deficit for two consecutive financial years (*chart 2*).

Arrival of Russian tourists to India and flow of Indians to Russia numbered less than 400,000 combined even before the pandemic.

Most of this was in the form of Russian tourists coming to India. There were 279,000 Russian tourists in India as of 2017 — the largest in recent years. The number fell to 262,000 in 2018 and 251,000 in 2019. Indian departures to Russia touched 100,000 in 2019. It slipped to below 50,000 in subsequent years amid the pandemic, shows the latest available data as of 2022. Russia accounts for less than 1 per cent of the total remittance flows into India, according to a note from rating agency ICRA, 'India-Russia trade and financial flows.' The migrant stock is also at similar levels, according to the note (*chart 3*).