

Russia wants to expand imports from India in big way

With surge in India's purchase of Russian oil, Moscow can use the rupee balance to buy more and sustain Re-denominated trade to circumvent sanctions

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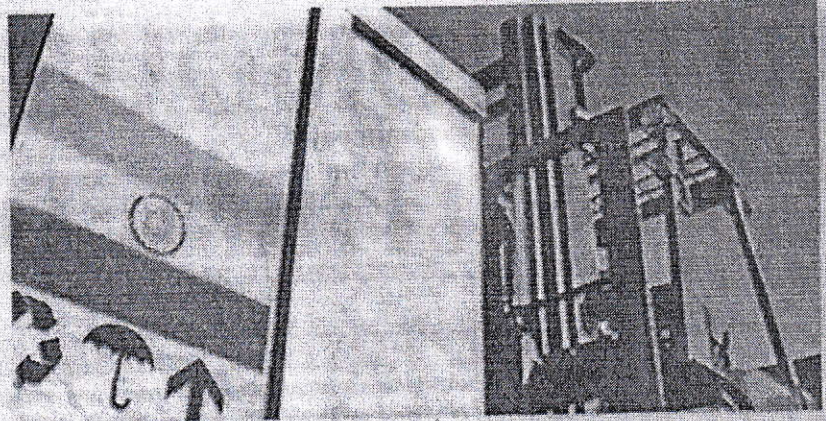
New Delhi, August 22

Russia has circulated a fresh list of products, including items such as medical equipment, pharmaceuticals, chemicals, industrial gear, garments, furniture and jewellery, that it wants to import from India for a more balanced bilateral trade and a sustainable implementation of rupee-denominated payment mechanism, a person tracking the matter has said.

"The latest list of request for cooperation from Russia, which has been circulated to export organisations, has a total of 71 requests. The entries in the list are mostly enquiries from Russian companies for imports, but also include some items for possible exports.

"The wide variety of items — ranging from machinery, paper, textiles, leather and motor parts, to diagnostics and drugs — shows the country's interest in trading in products beyond food and daily essentials to close the trade gap," the source said.

In the April-June period, India's imports from Russia increased 369.29 per cent to \$9.26



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billion, while exports declined 37.82 per cent to \$435.62 million. The rise in imports was fuelled by a jump in crude oil purchases from Russia.

Encouraged by the steep discounts offered by Moscow, India imported an estimated \$7.9 billion worth of mineral oil, mineral fuel and their products during the period — an 800 per cent increase over the same period last year, per government data.

Payment mechanism

"Now that India and Russia are engaging to put in place a mechanism for rupee-denominated trade to bypass the West's banking sanctions by avoiding payments in the US dollar or the euro, Russia is feeling the need to increase its imports from India. Buying more from India will allow the country to use the rupee balance that will accumulate in its accounts from India's purchase of oil and defence equipment," the source explained.

The Reserve Bank of India has allowed a provision for invest-

ment of surplus rupee balance in government securities or infrastructure in India but it could be a more desirable option for Russia to use it to import items from India. "This is a unique opportunity for India to increase its exports to Russia which were valued at \$3.2 billion in 2021-22 against imports of \$9.86 billion. Since India's imports from Russia have already crossed \$9 billion in the first quarter of 2022-23, the scope for stepping up exports in tandem with imports is immense," the source said.

Russian companies that have put in requests for business with India include some established firms. For instance, Morena, which is one of the first refrigeration companies that appeared on the Russian market, has sought to start co-operation with a reliable manufacturer of compressor equipment in India.

Indian banks are engaging with Russian lenders, many of which are not under sanctions, to implement the rupee payment mechanism.