

New opportunities for Indo-Russia ties

For stronger economic engagement, it is imperative that the private sectors of both countries are involved in a more productive manner



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Russia is a time-tested and close friend of India in its developmental journey and has contributed significantly to key aspects of India's defence, education, energy, and science and technology over the years.

Annual summit meetings have imparted strong momentum to the overall relationship between the two countries. The visit of Russian President Vladimir Putin in October last year for the 17th annual summit in Goa resulted in a joint statement, "Partnership for Global Peace and Stability", and cooperation agreements in 19 areas, including trade and investment, hydrocarbons and railways.

Given that both countries are among the largest economies in the world with diversified economic and industrial sectors, bilateral trade has not lived up to its fullest potential. Total trade was estimated to be around \$6 billion for five years; however, in 2016-17, there was a substantial jump of over 20 per cent to \$7.5 billion. India's exports went up from about \$1.5 billion to almost \$2 billion, while imports from Russia crossed \$5.6 billion. This development is most encouraging and could herald faster growth in the coming years.

The trade basket of the two countries

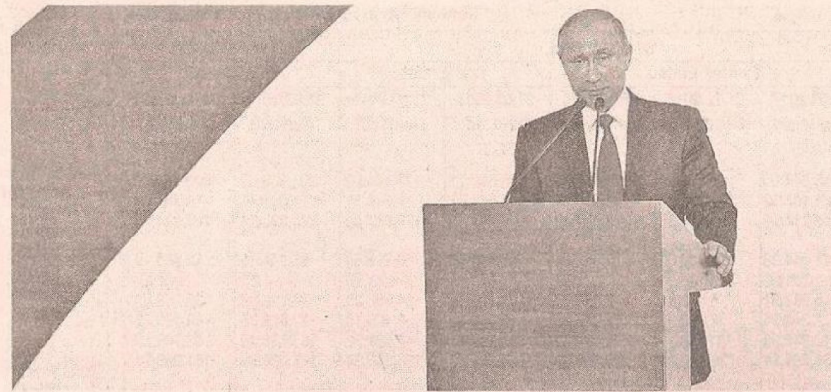
is widely diversified. India exports a range of goods to Russia, such as pharma products, tea, machinery, and aircraft components. India's imports from Russia include diamonds, petroleum products, fertilisers and agricultural products, among others. On the investment side, India has invested about \$13 billion in Russia including the Tomsk and Sakhalin I energy acquisitions. Russian companies have invested about \$3 billion across sectors in India.

The bedrock of Indo-Russian partnership is cooperation in the energy and defence sectors. There is immense potential to shift beyond a buyer-seller relationship to collaboration for technology transfer and joint production. Besides, investments can be envisaged in sectors such as fertilisers, IT, pharmaceuticals, infrastructure, and minerals and metal-lurgy, amongst others.

For a stronger economic engagement, it is imperative that the private sectors of the two countries are involved in a more productive and outcome-oriented manner. India and Russia have set up the Inter-Governmental Commission on Trade, Economic, Scientific, Technological and Cultural Cooperation to promote economic cooperation with several sub-groups to examine specific areas such as energy, civil aviation, and so on. The India-Russia Forum on Trade and Investment and India-Russia CEOs' Forum also help in strengthening the economic dialogue.

For example, business and tourist visas are now easier to obtain. A protocol was signed by the two countries in 2016 to address sanitary and phytosanitary issues in the export of milk products such as hard cheese from India to Russia.

The acceleration of the International North-South Transport Corridor is wel-



GAINING PACE Russian President Vladimir Putin speaks at an India-Russia Annual Summit in Goa last year. Annual summit meetings have imparted strong momentum to the relationship between the two nations

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come as it would reduce time and transport costs, a key hurdle to the bilateral trade. The Indian government has exchanged draft protocols for operationalisation of the corridor with the federal customs services of Russia, Iran and Azerbaijan. Once implemented, this corridor would extend from Mumbai to Central Asia, Russia and Northern Europe via Chabahar and then over land through Iran to the Caspian Sea, reducing the transport time by half.

Indian industry also looks forward to the progress on India's proposed free trade agreement with the Eurasian Economic Union. The joint study group's recommendations have been accepted and negotiations are expected to be announced shortly.

Key impediments for enhancing trade still remain. Customs procedures on the Russian side need to be made more transparent and efficient. Indian industry has called for quick implementation of the "green corridor" as agreed upon by the two governments to place customs clear-

ances online for certain categories of businesses, so that they do not have to go through inspections at the border.

Financing of trade poses certain problems as the payment system through letters of credit is not effective for Russian counterparts. Banking linkages could also be promoted. The Commercial Bank of India is a joint venture of State Bank of India and Canara Bank, and more such banking facilities are required, including through correspondent relations with Russian banks.

In agricultural products, sanitary and phytosanitary measures need to be addressed. Agreements on technical regulations, standards and mutual recognition of certification agencies could boost trade. In the services sectors, mutual recognition agreements are required.

In some key sectors of cooperation such as defence, energy and transport, it is important to enhance private sector participation through government agreements. New ways of encouraging and incentivising private entrepreneurs,

including small and medium enterprises, are required.

India's developmental agenda offers strong opportunities for Russian investments. Under Make In India, Russia could consider an industrial park for its smaller companies in intermediates for sectors such as nuclear equipment and parts, exploration and mining machinery and others.

With defence agreements worth over USD 15 billion under consideration, joint ventures with Indian companies could be useful. In the hydrocarbon sector, apart from the existing investments in the oil and gas sectors, there is considerable scope to expand Indian corporate investments in Russia. Russian enterprises could partner with Indian state governments and municipalities in public transport, urban rail, sanitation and low-cost housing in the Smart City and Housing for All programmes.

Russia and India signed four agreements and memoranda of understanding in 2010 for the pharmaceuticals sector. Under Pharma 2020, a programme of the Russian government for developing the domestic production base, Indian pharma companies could invest in Russia.

Russia is a major producer of rough diamonds and India is the leading processing centre. Russian diamonds are of high demand in India's diamond industry. During President Putin's visit in December 2014, India and Russia agreed that Russian rough diamonds would be sold directly to the Indian diamond industry.

With direct industry interaction, economic cooperation can emerge as the central plank of the Indo-Russia relationship at a time when the nature of globalisation is being redefined.

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