Indo-Russia Business
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Overview of Russian Economy

The Russian economy demonstrates exemplary strength in defense, space technology, mining, car manufacturing and services sector. The approximately recorded population density of Russia vs India is at 8.8/440.96. Thus it makes sense and economy of scale for Russia to import food produce and domestic items of daily use from India and other countries to meet its domestic demand.

Indian investment in Russia is estimated to be about US$ 8 billion which include Imperial Energy Tomsk, Sakhalin I, Volzhsky Abrasive Works Vologograd and Commercial Indo bank. Russian investments in India total about US$ 3 billion, including Kamaz Vectra in Hosur, Shyam Sistema Telecom Ltd, Sberbank and VTB. Inter- Governmental Commission on Trade.

Russia collects revenues from natural resources estimated around $75 trillion US dollars by the World Bank and relies on energy revenues to drive most of its growth. Thus, abundance of oil, natural gas and precious and radioactive metals make up a major share of Russia’s exports. Huge availability of naturally available radioactive elements has boosted defense and space related sectors, Russia has a large and sophisticated arms industry, capable of designing and manufacturing high-tech military equipment, including a fifth-generation fighter jet, nuclear powered submarines, firearms, short range/long range ballistic missiles. The value of Russian arms exports totaled $15.7 billion in 2013—second only to the US. Top military exports from Russia include combat aircraft, air defense systems, ships and submarines.

Trade with Russia needs to understand the scope of the business sectors and their contribution to GDP thus providing an overview to understand where India’s trade expansion can be suitably progressed if it meets the appropriate standards criteria. Services is one of the biggest sector of the economy and accounts for 58% of GDP, the most important segments being wholesale and retail trade, repair of motor vehicles, motorcycles and personal and household goods (17% of total GDP); public administration, health and education (12%); real estate (9%) and transport storage and communications (7%). Industry contributes 40% to total output. Mining (11% of GDP), manufacturing (13%) and construction (4%) are the most important industry segments. Agriculture accounts for the remaining 2%. The oil-and-gas sector accounted for 16% of the GDP, 52% of federal budget revenues and over 70% of total exports Russia has been recording a trade surplus for a long time. Balance of trade in Russia is reported by the Central Bank of Russia.

Russia runs regular trade surpluses primarily due to exports of commodities mainly being being oil and natural gas (58% of total exports), nickel, palladium, iron and chemical products.

Russia’s main imports are food (13% of total imports) and ground transports (12%). Others include: pharmaceuticals, textile and footwear, plastics and optical instruments. Main import partners are China (10% of total imports) and Germany (8%). Others include: Italy, France, Japan and United States. The combination of import duties, a 20% value-added tax and excise taxes on imported goods (especially automobiles, alcoholic beverages, and aircraft) and an import licensing regime for alcohol still restrain demand for imports. Frequent and unpredictable changes in customs regulations also have created problems for foreign and domestic traders and investors.

China’s trade with Russia has over and above dampened trade prospects of India with Russia. Analysis of Russia China trade reports an interesting fact that Russia is China’s eighth largest trade partner and China is now Russia’s fourth largest trade partner. Trade volumes between China and Russia have reached even above 37.1%. China’s export of machinery and electronic goods to Russia has grown to 70%, which is 24% of China’s total export to Russia. During the same time, China’s export of high-tech products to Russia increased by 58%, and that is 7% of China’s total exports to Russia. The border trade between the two countries reached $5.13 billion, growing 35% and accounting for nearly 20% of the total trade. Most of China’s exports to Russia remain apparel and footwear. China has over 750 investment projects in Russia, involving $1.05 billion. China’s contracted investment in Russia is more than $368 million.

Chinese imports from Russia are mainly those of energy sources, such as crude oil, which is mostly transported by rail, and electricity exports from neighboring Siberian and Far Eastern regions. Exports of both of these commodities are increasing, as Russia opened the Eastern Siberia–Pacific Ocean oil pipeline’s branch to China, and Russian power companies are building some of its hydropower stations with a view of future exports to China. Despite all this Russia still exports more to China by amount of nearly 21.23 billion US dollars.

Competition from Chinese side to India is mainly because of the Chinese sharing the border with Russia and the rapid cutting of interest rates in China and the subsequent
depreciation of the RMB which has provided a competitive price advantage for trade between China and Russia. China’s massive industrial sector also maintains steady supply of exports to Russia and low prices due to economies of scale. We observe from the figures mentioned above that the Russian agriculture sector contributes poorly to the GDP, thus allied sectors like chemical, textiles, processed food etc have received very little attention and are liable for imports. India has fairly good advantage in these sectors and a prospective trading advantage. India can achieve trade efficiency with Russia in the food processing and textile sector. India is a major exporter of cotton to China. China creates a value addition by supplying readymade cotton garments to most of the world. An ease in the Indian textile policy India can help India directly export these value additions with the availability of huge retail market in Russia. Russian economy is supposed to be the sixth largest in the world by PPP and tenth largest at market exchange rates. Russia’s a rapid growth in living standards fueled by energy exports, with real disposable income rising by 160% has at the same time help fuel growth in the retail sector. Retail outlets and malls have increased their presence and this could help India to export off the shelf merchandise processed food products, textiles, chemical and plastic products etc. India has also started employing pressure to accept exports from India to Russia in the processed food segments of dairy and buffalo meat products.

India is also contemplating a FTA/ CECA with the Eurasian Economic Union. The Eurasian Economic Union is one of the important emerging economic blocks, and India is keen to engage more closely with Russia and the CIS countries to further intensify trade and economic cooperation with this region. On 18 June 2015, India and the Eurasian Economic Union signed a joint statement establishing a Joint Feasibility Study Group (JFSG) for feasibility study on the proposed FTA/CECA between India and the Eurasian Economic Union. The first meeting of the JFSG was held in Moscow on 31 July 2015 and both sides are presently finalizing the draft report of the Joint Study Group.

Development of banking links between India and Russia has witnessed some concrete progress. Several Russian banks have opened their Representative Offices/Branches in India. These include VTB, Sberbank, Vnesheconombank, Promsvazbank and Gazprombank. Similarly, the Commercial Bank of India LLC (JV of two major Indian banks: SBI & Canara Bank) is providing banking services in Russia.

There are significant opportunities for Russian companies in India particularly in the area of construction, major infrastructure projects such as dedicated freight corridors and industrial clusters, smart cities and engineering services. Russian companies are encouraged to avail of the opportunities under the Make in India initiative and to explore the possibility of technology transfer and joint manufacturing in India given the advantage of skilled labour force and the available resources in India. On the other hand, Indian companies are encouraged to explore major investment options in Russia especially in natural resources such as coal, fertilisers, hydrocarbons, minerals and rare earth metals.

### Bilateral trade figures for last ten years are given below: (amt in US $ billion)

<table>
<thead>
<tr>
<th>Year</th>
<th>India’s Import from Russia</th>
<th>India’s Export to Russia</th>
<th>Total trade</th>
<th>% age Increase YOY</th>
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<tr>
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<td>1.55</td>
<td>0.63</td>
<td>2.18</td>
<td>(-)34.17</td>
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<tr>
<td>2005</td>
<td>2.31</td>
<td>0.78</td>
<td>3.09</td>
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<tr>
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<td>2.98</td>
<td>0.96</td>
<td>3.95</td>
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<td>2007</td>
<td>4.01</td>
<td>1.30</td>
<td>5.32</td>
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<td>2.14</td>
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<td>2011</td>
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<td>2014</td>
<td>6.34</td>
<td>3.17</td>
<td>9.51</td>
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Bilateral Agreements
- The India-Russia Inter-Governmental Commission on Trade, Economic, Scientific, Technological and Cultural Cooperation (IRIGC-TEC) is the apex G2G forum for bilateral economic cooperation.
- India-Russia Joint Task Force (JTF) has been constituted to monitor the implementation of the recommendations of India-Russia Joint Study Group (JSG) which was set up to work out a programme for enhancing the bilateral trade to USD 10 billion by 2010 and to explore the possibility of a Comprehensive Economic Cooperation Agreement between the two countries.
- India-Russia Forum on Trade and Investment
- St. Petersburg International Economic Forum (SPIEF)

Indian Community
- Major investments by Indian companies in Russia are:
  - ONGC Videsh Ltd. in Sakhalin-I Project
  - Imperial Energy
  - Commercial Bank of India Ltd. (JV of SBI and Canara Bank)
  - ICICI Bank for opening subsidiary ICICI Bank Eurasia
  - TATA Motors: • SUN Group - energy
  - Carbonandum Universal – production of abrasives;
  - Tata Tea • De Core • Choron Diamonds
  - L&T
  - Universal Food technologies (J.V. Gokul);
  - Dr. Reddy’s Laboratories Ltd
  - Cadila Pharmaceuticals Ltd
  - Unique Pharmaceutical Laboratories
  - Torrent Pharmaceuticals • Sun Pharmaceuticals
  - Wockhardt

Major Russia investments from Russia in India
- AFK Sistema in Sistema Shyam Telelink Services;
- Branches by VTB, Sber bank etc
- JV between Russian Kamaz Inc and India’s Vectra Group.

Dynamic Trade Sectors where Indian Companies can fit the bill

Indo Russia trade from the Indian perspective defines three main sectors, both the countries could trade with, first one the defense sector can be inbound trade and the other two sectors food and textile sector can be outbound for India. India has considerable efficiency and preparedness in food and textile sector which is searching for eligible markets abroad. The food market consists of processed food and direct agricultural produce for exports. India has already made efforts to create a niche in this export segment by promoting its processed meat, dairy products and vegetables. However, it is important to note that this segment is classified under the perishable commodities and requires utmost quality packaging and preservation potential to maintain a mark and consistency in the Russian markets for times to come. The textile segment needs to be also pushed in a similar way into the Russian markets as there is enough manufacturing competency to meet Russian standards and demand. However, the same has been lagging due to faulty government policies which have made Indian produce competitively weak in terms of price and quality. The years following the 1998 financial crisis and subsequent Russian debt default presented one of the best opportunities for exporters of Indian agricultural produce to enter the Russian market. A lack of interest, information and prevalence of stereotypes about Russia had kept Indian exporters from entering Russia. It was precisely around that time the Europeans, Americans and even the Chinese moved back in and completely captured the Russian market. A visit to any supermarket in a Russian city will show how much the country depends on imported food. One would be hard pressed to find anything of Indian origin besides certain spices and tea. Here one should also note that the food segment is retail based and retail is one of the most preferred markets among Russians. Every city has good number of malls and retail outlets to cater to the residents. The Russian government’s decision to ban fruit, vegetables, meat, fish, milk and dairy imports from the U.S. the European Union, Australia, Canada and other countries that have imposed sanctions on Moscow, is a great opportunity for Indian exporters to enter the Russian food market. Another market as reviewed earlier is the huge clothing market and Russia imports largely from China. Indian cotton form one of constituent exports to China. There is an urgent need for the Indian Government to focus on this issue and remove the manufacturing hurdles and capture a sizeable share in this sector. India has a long history of manufacturing machine and hand based textiles from natural and artificial fibers, leather etc.

Mentioned below are sectors which show a growth trend inspite of the recession in Russia which could be promoted for further trade.
Textile Segment

Hosiery
In 2015, hosiery posted current value growth of 10% to approach sales of RUB71 billion. This robust growth rate was a result of high unit price increases, with the category also registering a sharp 17% decline in volume sales. Higher unit prices were a result of national currency devaluation. Russians therefore had to rein in their spending and focus on purchasing only essential products. Hence, hosiery was purchased less frequently in 2015.

Jeans
Jeans grew by 12% in current value terms in 2015 to approach sales of RUB204 billion. This strong growth rate was not a result of the category's good performance but a consequence of significantly higher unit prices, with volume sales actually falling by 19%. Price increases were down to local currency devaluation. As the majority of jeans brands in Russia were imported, their prices were recalculated in line with the new US dollar and euro exchange rates. Gloria Jeans Corp continued to lead the category in 2015 with a 5% value share thanks to a good reputation for quality. Over the forecast period jeans in Russia is expected to register a value CAGR of 1% at constant 2015 prices to exceed sales of RUB217 billion in 2020. This will be a slower performance than the review period CAGR of 2%, largely due to falling purchasing power and rising unit prices. Consumers will thus likely trade down to cheaper products.

Apparel and Footwear
In 2015, apparel and footwear in Russia posted stronger current value growth compared to the previous year. However, in volume terms, all categories suffered a significant decline. Strong value growth rates were a result of increased unit prices rather than good performances. As the majority of apparel and footwear items are imported, unit prices were negatively influenced by the weakening of the national currency in 2014 and 2015. Consumers hence started to economize, buying fewer items, postponing purchases altogether or opting for cheaper products. In Russia, apparel and footwear continued to be highly fragmented in 2015. The leading 100 companies in the industry accounted for just a 22% share of overall apparel and footwear value sales. In 2015, the share of the leading brands started to fall as lesser-known brands enjoyed more competitive advantages. However, the six leading companies in GBO terms remained unchanged, led by adidas Group, Inditex, Industria de Diseño Textil SA and Centrobuv TD ZAO.

Women’s wear
Women’s wear recorded current value growth of 11% in 2015 to reach sales worth RUB1,097 billion. However, at the same time, the category posted a significant decline of 22% in retail volume terms, being affected by the downturn in the Russian economy and the devaluation of the national currency in 2014 and 2015. As the majority of women’s wear products are imported from abroad, end prices for consumers significantly increased by an average of 40% in 2015. These higher prices deterred some consumers from making any purchases at all, while others simply traded down to less expensive products. Ostin OOO and its O’Stin brand continued to lead the fragmented women’s wear category in 2015 with a retail value share of 2%. This was largely due to the company’s strong brand awareness, frequent promotions and expansion into internet retailing, with a good delivery service. Modny Kontinent OAO and its InCity brand ranked second with a 1% value share, followed by Tvoyo GK with its Tvoyo brand. These companies were able to meet consumer expectations in terms of good quality fashion at reasonable prices. Over the forecast period women’s wear in Russia is expected to register a value CAGR of 1% at constant 2015 prices to reach sales of RUB1,169 billion in 2020. This moderate growth will be related to the increasingly challenging trading environment in Russia.

Children’s wear in Russia
In 2015, children’s wear benefited from Russian parents trying not to reduce their spending on their children despite the poor economic climate. Parents spent RUB267 billion on children’s wear, up 11% in current value terms on 2014. In addition, they were forced to pay even more for children’s wear in 2015 as unit prices rose due to strong currency devaluation at the end of 2014 and during 2015. Children’s wear remained a highly fragmented category in Russia in 2015, with 78% of overall retail value sales accounted for by others. A wide range of children’s wear is supplied by smaller local manufacturers and importers from Asian countries. However, branded children’s wear specialist retailers and various mono-brand apparel and footwear retailer outlets continued to emerge in Russia over the review period. The number of children aged 0-14 is predicted to rise from 24.5 million in 2015 to 26 million in 2020. This expanding consumer base will help children’s wear to grow further. However, its full potential will be hampered by unfavorable
economic conditions which will threaten consumer incomes in the short term, in 2016 in particular.

**Knitted and Crocheted Articles in Russia: ISIC 173**

Russian market for knitted and crocheted articles reaches value of RUB53.2 billion in 2012. 68% of knitwear sales attributable to Russian households, and 22% for B2B buyers, mainly clothing manufacturers. Market sees CAGR of 16% over 2007-2012 - the most dynamic performance of all textile segments in the country. Growth mainly driven by import sales, which reach RUB34 billion, or 73% of entire market value in 2012. China is the main importer, accounting for 43% of trade value in 2012. Domestic knitting industry relatively small, valued at RUB11 billion in 2012. Business fragmented, with five largest firms accounting for just 20% of national earnings. Turnover expected to grow by 8% per year on average over 2013-2018, to RUB17.7 billion in latter year.

**Processed Food, processed animal meat and agricultural produce segment**

**Pasta and Noodles in Russia: ISIC 1544**

Russian market for pasta and noodles reaches value of RUB55.7 billion following 4% growth in 2012. Health and wellness trend shapes consumers’ food habits; Russians ready to pay more for better quality and healthier products. Industry concentrated, with six large producers accounting for 83% of domestic output. Domestic production of pasta and noodles forecast to see 9% CAGR over 2013-2018 to reach RUB67.5 billion in latter year. Increase in share of imports expected in future, creating competition for domestic producers.

**Processed and packaged Buffalo Meat**

The Federal Service for Veterinary and Phytosanitary Surveillance of Russia (Rosselkhoznadzor) opened buffalo meat imports to Russia from India and included four Indian companies in the register of organizations and individuals engaged in production, processing and /or storage of controlled goods imported into the customs territory of the Customs Union with all of them having already started supplying. The last one (Mirha Exports) being the most advanced one. Russia's veterinary regulator Rosselkhoznadzor (Federal Service for Veterinary and Phytosanitary Surveillance) appointed an expert who conducted check-ups of conducting abattoirs and meat factories in different states of India. The export will control both production and dispatch of meat that is to be exported to Russia from four Indian companies, approved by the Russian regulator. The list of approved companies includes Maharashtra-based Frigero Conserva Allana Limited and Frigorifico Allana Limited, both subsidiaries of Allana Group, India’s largest meat exporter, and two companies from Uttar Pradesh, Fair Exports Pvt.Ltd and Amroon Foods Pvt. Ltd.According to Russian Federal Customs Service (FSC), meat imports in Russia in 2014 recorded more than 1 million tonnes or US$ 4,271 million. In January and February 2015, Russia imported meat worth US$ 58 million and US$ 118 million respectively from non-CIS foreign countries. Beef imports accounted for US$ 17.7 million in January and US$ 50.3 million in February, more than 50 per cent drop compared to the same period in 2014. Analytical agency EMEAT estimates the imports of chilled beef to Russia (excusing the trade within customs union) stood at 2900 tonnes, frozen beef at 12,300 tonnes, beef by-products at 11,900 tonnes as on 1st March, 2015. The total import of chilled beef to Russia in January-February 2015 dropped 76.2 per cent to 900 tonnes, as compared to the same period of 2014, frozen beef imports reduced by 63.8 per cent to 15,400 tonnes and beef by-products fell 61.2 per cent to 23,900 tonnes. Currently, the leading importer of bovine meat to Russia is Brazil. It supplied 12,200 tonnes within January-February 2015, more than 50 per cent down from the same period of 2014. Experts say the competition among beef exporting countries is increasing due to a drop in the meat consumption in Russia that affects imports. There is a high level of trust between Russian importers and South American exporters while India is yet a new and unfamiliar partner. There are fears of contracts being disrupted, of possible deviations of quality and range. The beef tariff rate quota (TRQ) for “other countries” group (which includes India) are 418,000 tonnes, out of which frozen beef TRQ is 407,000 tonnes.

**Packaged and Processed Dairy Products**

Rosselkhoznadzor allowed the import of Indian dairy products to Russia. The two Indian companies in the register of organizations and individuals having the right to supply dairy products are Parag Milk Foods and Shreiber Dynamix Dairies, manufacturers of hard cheeses. The Russian market is interested in quality dairy products, especially in hard cheeses. This tie up with Amul was not related to the embargo situation. Galactica Group, which has about 3% share in the Russian dairy market and ranks among five largest dairy manufacturers in the country, is a part of FoodLine Holding, one of Russia’s largest distributors of milk products and components. FoodLine Holding is likely to become the distributor of Amul products, including Amul milk powder and some cheese items, in the Russian market. The powdered milk will be sold to the dairy products manufacturers across Russia. Earlier powder for dairy
Dried goods were sourced from Germany, Italy, Switzerland, imports. Eco-fruits and vegetables, dairy products, nuts and less than 95% of organic foods were previously sourced from a market of a significant portion of imported eco-products. No foreign investment as the embargo has deprived the Russian production of organic food. Experts also see potential for Russia in 2014, is acting as an incentive for domestic production was imported from Baltic countries, Germany and New Zealand. The latter doesn’t fall under current ban. The Russian dairy industry is quite different from the one in India, some readymade products, for example export-quality semi-hard cheese like Cheddar, Gouda and Mozarella that are quite in demand in Russia, especially after the imported cheese was banned, could be a good option to start with. Russia traditionally faces a fresh milk deficit, the industry depends on imports. In last few years there was a continuous decrease in fresh milk production which led to the shortage of raw milk for the processing enterprises. Traditionally the main raw milk supplier in Russia was Belarus, but India could fill the remaining niche. Cheese is the major item of import from several countries affected by ban. The market may face a deficit in several categories which again promises some opportunities for new players. Russian producers have technologies to produce cheese but without additional support from the government they are unable to increase the outputs. According to the Russian Federal Customs Service in the first quarter of 2014 the imports of milk and product made from Western countries increased 10.4% from the same period in 2013 to 1,423 million tones. The imports stood at nearly $639 million (20% higher than in the same period of 2013 and 42% higher than in 2012). The deficit of raw milk available to Russian dairy manufacturers as well as cheaper prices of imported ready milk products contributed to the growth of imports.

Other Food Products

Moscow-based analytical company VVS believes that there is more potential for products that are already being exported from India to Russia such as potatoes, onions, preserved vegetables, nuts, fruits, fish and some other items, some new varieties of fruits and vegetables, fish, seafood, packed food could be introduced in case it suits the consumers taste which could then become a generally imported item. From this point of view India can offer many new commodities that may appeal to Russian consumers and get a share in the market. For Indian food products to do well in Russia, a combination of good marketing and attractive packaging is a must along with quality products.

Demand for organic food is growing in Russia

The embargo on importing European foodstuffs, imposed by Russia in 2014, is acting as an incentive for domestic production of organic food. Experts also see potential for foreign investment as the embargo has deprived the Russian market of a significant portion of imported eco-products. No less than 95% of organic foods were previously sourced from imports. Eco-fruits and vegetables, dairy products, nuts and dried goods were sourced from Germany, Italy, Switzerland, France, USA and Canada. The remaining five % came from around 100 certified Russian producers. The Russian market is estimated to be worth £100 million (according to US government body FAS, the Foreign Agricultural Service) and the global as much as £42 billion (according to IFOAM, the International Federation of Organic Agriculture Movements). The organic food market started to develop actively in Russia three years ago. It has since grown 20%. But demand still exceeds supply. The main buyers of organic foods are parents who buy such products for their children and well-off consumers aged 22 to 45 who follow healthy lifestyles. Higher prices compared with conventional foods fall to put them off, even though vegetables may be 20% more expensive and fish and meat as much as three or five times the cost of conventional products. Increased prices attributed to sanctions, estimated at between 30-40% and the increased cost of foreign certification and ancillary materials (packaging, greenhouses and seeds) imported from Europe also seem to have little impact on demand, which experts say may even increase thanks to a new group of consumers – those who used to buy conventional foreign products. A recent survey by the Union of Organic Farming (UOF) found that around 58% of Russians are keen to buy eco-friendly products. Eco-market participants are expecting 10-15% growth in 2015, despite the crisis.

Import of Indian cucumbers by Russian Markets

Over the last 13 years, Indian producers have managed to acquire a significant share of the cucumber market in Russia. Pickled and marinated cucumbers have been an essential part of traditional Russian cuisine for many centuries. Private companies are engaged in this activity of pickling cucumbers and globalization has aided them in finding suppliers of cucumbers from other countries that can provide the appropriate level of quality at a competitive price. Over the last 13 years, Indian producers have managed to acquire a significant share in the total supply. About one-third of the pickles in jars and barrels in Russia today have come from India. Nearly to 25 Indian entrepreneurs are currently supplying Russia with cucumber-products. In Russia, raw cucumbers undergo a repacking process. They are rinsed of the excessively salty brine or Acetic acid, traditional spices are added, and they are preserved and resold under Russian consumer brands. Majority of marinated gherkins exported to Russia are bottled in India and are of smaller sizes (cornishon and mini cornishon). Russian companies order this product in their trade mark. Indian suppliers were able to break into the Russian market rather quickly, considering the fact that India only started growing this vegetable at an industrial scale in the 1990s. Indian marinated cucumbers are sold in the largest retail chains operating in Russia – Auchan, Magnit. However, the path to Russian shelves was
not easy as the biggest problem was the temperature drop in winter. The product needs to be shipped at plus temperatures, but when it reaches Russian market, the temperature on the street is minus 24 and no matter how it is insulated, the containers freeze. These canned-goods are under the Skatert-Samobranka brand and Indian suppliers accounted for 80% of the gherkins segment. Despite the fact that cucumbers are one of the few vegetables that grow normally in the heart of Russia, there is still not enough of it in terms of raw supply. There is a particularly large deficit, in the small size, 2.4 cm, and segment. Manufacturers are interested in selling products ‘by weight,’ so the bigger the cucumber, the higher the return. This stereotype has been broken with difficulty. It was explained to producers that the importers were ready to pay more if only they would be willing to produce a more convenient size.

The other sectors which could be lucrative for Indian exporters are as below:

**Baby and Child-Specific Products in Russia**

The birth rate remained relatively high and parents did not reduce expenditure on their children in 2015, despite the crisis, which contributed to growth in the category. Johnson & Johnson OOO maintained its lead in baby and child-specific products in Russia in 2015, with an increase in its retail value share to 18%. The company benefited from its well-established brand Johnson’s Baby, which was especially strong in baby and child-specific hair care, skin care and bath. Johnson & Johnson OOO expanded its product portfolio in 2015 with Baby Cream 3-in-1 with milk, which is recommended for use by the whole family, and Pure Protect antibacterial baby wipes designed for sensitive skin. The category has potential for further development, especially in terms of new and natural products dedicated to both babies and children. Consumers’ increasing interest in product safety and quality will benefit development of the category.

**Vitamins and Dietary Supplements in Russia**

With mounting pressure from life and work, more Russians are demanding vitamins and dietary supplements to enhance their immune systems, improve their health and to prevent diseases. Poor eating habits are also encouraging a large number of consumers in the major cities to take vitamins and dietary supplements to compensate for a lack of energy and nutrients. The Russian government officially recognizes vitamin deficiency of citizens in most regions of the country, with deficiencies mostly concerning vitamins C, D and B, and also iron, calcium, selenium and iodine. OTCPharm and Evalar continued leading vitamins and dietary supplements in 2015, registering a 6% value share each.

Their lead was attributable to the companies’ wide portfolio of brands that are represented in many categories of vitamins and dietary supplements, as well as more affordable unit price in comparison with their multinational competitors. Vitamins and dietary supplements is expected to show positive development with sluggish growth over the forecast period. An ageing population will continue to expand steadily over the forecast period, and self-care and self-medication will intensify with support from technological developments. All of these factors will favor demand for vitamins and dietary supplements along with nutraceuticals. Healthy living and eating will likely make an enduring impact on the way consumers perceive and purchase vitamins and dietary supplements.

**Basic Chemicals in Russia: ISIC 2411**

Russian basic chemicals market grows 9% in 2013, driven by growing demand from the plastics in primary forms and synthetic rubber industry, underpinned by annual 7% inflation rate. Production of plastic in primary form segment increases 19% in 2013, driving demand for basic chemicals in Russia. Declining crude oil price positively affects basic chemicals industry costs in Russia. Ethylene production quantity growth of 16% in 2013 offset by 11% decline in 2014 due to fire in Stavrolen. Production of basic chemicals' growth in Russia expected to slow to CAGR of 6.5% over 2013-2019, driven mainly by continuous inflation and declining economic growth; tense geopolitical situation and slowing oil production will negatively impact industry growth in future.

**Fertilisers and Nitrogen Compounds in Russia: ISIC 2412**

Russian fertilizer and nitrogen compounds market grows 4% in 2013 driven by growing agriculture industry turnover. Russian Government grants RUB1.5 trillion in subsidies to agriculture industry, potentially driving up demand for fertilizers. Uralkali and Belaruskali break-up pushes down potash prices though leads to 7% increase in potash production output volume in 2013. Russian fertilizer exports see 3 %age point decline in 2013 due to lower prices and increased competition in world market. Production of fertilizers and nitrogen compounds expected to see 6% CAGR over 2013-2019 due to growing production capacity of potash and nitrogen fertilizers. Mutual trade is possible in this sector.

**Pesticides and Other Agro-chemical Products in Russia: ISIC 2421**

Pesticides and other agro-chemical products market in Russia grows 44% in 2013 due to increase in household...
demand and record harvest in agriculture industry. Russian grain harvest grows 21% in 2013 due to humid spring, increasing demand for pesticides and other agrochemicals in Russia. In 2014 Russian Government imposes ban on food imports from EU and US as sanctions sparked, raising incentives for domestic farmers to increase output. Production of anti-sprouting and plant-growth regulators rises by amazing 742% in 2014 due to launch of new production capacity and strong domestic demand. Turnover expected to continue sharp growth CAGR of 19% over 2013-2019 as producers continue to increase production capacity to catch up with Russian market demand.

**Pharmaceuticals in Russia: ISIC 2423**

Russia's pharmaceutical market increases 12% to RUB1.2 trillion in 2013, due to growing household purchases. As disposable incomes continue to grow household demand for cheap domestically produced generic drugs declines and demand for more expensive imported drugs increases. Cancer rates in Russia among the highest of industrialized countries, as a result sales value of cancer treatment drugs accounts for almost one-third of market value in 2013. Russian Government continues to financially support Pharma 2020 strategy, forcing international companies to localize in 2013. Turnover of Russian pharmaceutical companies expected to see 7% CAGR due to government initiatives designed to increase domestic pharmaceuticals' manufacturing.

**Plastic in Primary Forms and Synthetic Rubber in Russia: ISIC 2413**

Russian demand for primary plastic and synthetic rubber sees 16% CAGR over 2007-2012 review period to reach RUB633 billion. Construction firms and domestic plastic processors the biggest buyers, each group accounting for 22% of total market sales in 2012. Plastic in primary forms the largest category, accounting for 74% of all value orders in 2012. Around 30% of market imported, mainly from Germany and China. Local production valued at RUB475 billion in 2012; representing 18% annual growth over review period. 28% of domestic output exported, mainly to China and Belgium. Industry turnover expected to see 12% CAGR over 2013-2018 to RUB916 billion in latter year.

**Cutlery, Hand Tools and General Hardware in Russia: ISIC 2893**

Domestic demand generates 54% growth over review period, despite slump in 2009, to reach RUB137.3 billion in 2012. Imported production remains serious threat to industry as penetration reaches 79% in 2012. Turnover of local producers stagnates, supported only by increasing prices as volume output halves since 2007. Against backdrop of declining attractiveness of Russian-made production locally, exports accelerate more than 25% over review period. Amid expanding construction projects, industry expected to benefit substantially, with revenue growth over 2013-2018 expected to reach 53%.

**Rubber Products in Russia: ISIC 251**

Despite a 27% nosedive in 2009, domestic demand for rubber products in Russia shows substantial 78% growth over 2007-2012. Imported production increases more than 2-fold over review period, penetration reaches 33% of market in 2012. Domestic production turnover exhibits somewhat less explosive yet still solid 66% growth over 2007-2012. Refocus on higher quality production allows slightly increased profit margins. Export value increases 50% over review period, Kazakhstan and Ukraine go neck and neck as main destination in 2012. Production turnover over forecast period expected to soar by additional 79% as Russia's automotive market drives demand for tyres.

**Man-made Fibres in Russia: ISIC 243**

Market for man-made fibres in Russia sees 9% annual value growth over 2007-2012. Total sales amount to RUB36 billion in 2012, with domestic construction industry the main buyer. Other important clients include textile spinning and weaving companies and the automotive industry. Import penetration increases from 29% of market in 2007 to 42% in 2012, following expansion of Chinese manufacturing. Russian producers generate RUB17.4 billion in revenue in 2012, up 15% from 2007. Industry very concentrated, with 82% of turnover in hands of five largest companies. Total revenue projected to see 7% CAGR over 2012-2018, to reach RUB26.8 billion at end of forecast period.

**Plastic Products in Russia: ISIC 252**

Russian market for plastic products records strong 70% growth over review period, underlining pickup in country's manufacturing sector. Imports increase 18% in 2012, beating review period average following Russia's accession to WTO; penetration increases to 21%. Local production turnover exhibits 73% increase over 2007-2012; plastic packaging makes greatest gains. Favorable development in production costs allows profitability improvements; nominal profits up 136% since 2007. Strong 91% revenue growth projected for forecast period as country's manufacturing sector continues to grow.
Electrical Equipment for Engines and Vehicles in Russia: ISIC 319

Sales up 83% since 2007; fast recovery after 19% drop in demand in 2009. Automotive manufacturers still dominate demand; importance of investment purchases strengthens. Imports’ share up from 27% to 41% over 2007-2012; China remains major foreign supplier. Sound and visual signaling products’ share of total revenue overtakes that of equipment for engines and vehicles. Slightly slower 11% annual growth expected over period to 2018; sound and visual signaling products category to remain most dynamic.

Ayurveda and other holistic wellness Service

Ayurveda, the millennia-old system of holistic medicine in India, is rapidly becoming popular in Russia. It is no longer an exotic choice. Now, the number of health-conscious Russian patients who prefer herbal medicines, oils and massages as ways of treatment and crave for attention that they don’t get in modern hospitals is on the rise. Saving money on their health is the last thing people will do. Secondly, there are even some advantages in the current situation: people have started to leave the country less; they stay in Moscow but don’t want to stay at home, so they go for a massage. Russian people know about Ayurveda and respect it. They accept it not as some kind of mystical thing but as a centuries-old Indian medical system thus making it much easier to do business in this sphere in Russia.

Investment opportunity in Russia

Russia has some 40 million hectares of untilled, vacant land untreated by chemical fertilizers for more than 20 years and therefore suitable for growing eco-friendly products. A tiny fraction, 0.06% ~ 126,800 ha ~ is used for eco farming. The availability of such land could attract foreign growers of organic food. Europe lacks raw materials and suitable land for this eco market which is rapidly developing. There is an interest in developing the Russian organic foods market both from market participants and the public sector, for example, IFOAM. Those who have already ventured into the Russian organic market include two farms with official certification that have foreign backers and produce organic food for export Tiyaki Russia (which has a Turkish parent company), which grows grains, vegetables and sunflowers in the Saratov Region and J&M Company, which produces cereals and oil-bearing crops in the Krasnodar Region. HIPP, one of the world’s leading manufacturers of baby food, has a factory in the Kaliningrad Region, using raw materials both from the company’s own certified farms and local producers, whose products meet eco-requirements. But many potential foreign investors are put off by the opacity of the market – especially, the lack of formal legislation defining eco-standards in Russia. The State Duma - Russia’s lower house of parliament - has yet to rectify the situation, although a federal law on organic agriculture is due to be passed later this year and approval is also expect for technical regulations and national standards. The impressive amount of acreage and clear legislation could not only attract foreign investors, but allow those operating without certification to be legitimized, opening up a market potentially worth over £200 million, the UOF believes.

Russian Investments in India

Food security

Given the fact the agricultural yields are reducing every year in India and a monsoon failure can have a serious impact on the country’s food security, the Indian Government has actively encouraged Indian companies to lease agricultural land in sparsely populated countries. More than a hundred Indian companies have entered the agricultural sectors in East Africa and South America. While countries in those regions can help India a lot in guaranteeing its growing food requirements, there is always a danger that some relatively unstable nations pose. Unscrupulous politicians often vent their ire on outsiders “taking land” and a regime change in many of these countries could mean that populist governments may nationalize the land and assets. Such a scenario is next to impossible in the Russian Far East, where India enjoys the same kind of goodwill it did at the peak of Indo-Soviet ties.

Indo Russian Nuclear Venture for the Farming Sector

Russian state nuclear corporation Rosatom and Hindustan Agro have established a joint enterprise for the production and storage of agricultural products irradiated by isotopes: vegetables, fruits, cereals, and legumes. Radiation technologies will help save crops even during periods of draught. The two sides have invested around Rs 40-45 billion rupees (approximately $700 million) in this joint venture. The
companies plan to open 25 factories for the irradiation of food products with low doses of cobalt-60 over the next five years. It is planned to locate refrigeration capacity in India, Mauritius, the Near East, and Malaysia. Isotope production essentially increases the shelf life of perishable food products, which makes it possible for farmers to enhance their presence in the market and balance out prices. Such technologies are especially needed in Indian horticulture where there are serious price spikes. Experts have found out that the isotope processing of agricultural produce significantly increases yields and protects it from destruction. Isotope sterilization technology has been used all over the world for dozens of years. Irradiated objects, including produce, do not become radioactive and they can be used immediately after the process. Usually, products that are grown are irradiated by isotope sources; for example, grains, spices, dried herbs, potatoes, and other root vegetables. After such treatment, the products can be stored for a very long time and do not spoil. This technology is absolutely safe, as it is approved by the World Health Organisation, the International Atomic Energy Agency, and the UNFAO.

Indian Investment Territories of Accelerated Development

For years Indian strategic analysts and thinkers have been talking about the opportunities offered by a large area in Russia that stretches from Siberia to the country’s Pacific Coast. Eyeing both expansion of cultural contacts and economic opportunities, India was one of the first countries to open a consulate in the city of Vladivostok. Yet, over the last two decades, little groundwork has been done to tap into the vast economic potential of the region. Now, as Russia’s trade and economic activities with the West slows down on account of political tensions, the country is opening up its Far East in an almost unprecedented scale. Plans were announced earlier this year to make Vladivostok a free port. In addition to this, the Russian Government officially launched special economic zones that offer major incentives and tax breaks called territories of accelerated development (TAD). Several companies from Australia, South Korea and Singapore have expressed interest in investing in these zones. Indian companies should follow suit and set up operations in these TADs. The proximity of these zones to the markets of North Asia give Indian companies even better access to China, Japan and South Korea (a country with which India has a comprehensive economic cooperation agreement). Investing in these special zones will also help increase trade turnover with Russia and create jobs for both locals as well as Indian specialists. A strong Indian business presence in the region may also help companies like ONGC to sign more lucrative oil and gas exploration projects. The world’s fastest growing major economy imports close to 80% of its energy requirements, and a large part of this comes from the Persian Gulf region. Given the volatility of the Middle East, there is an increasing urgency for India to look at Russia to increasingly meet its growing energy demand. There are going to be projects that fail to meet initial expectations like ONGC’s Imperial Energy, but this is a risk that is a part and parcel of the industry.

Russia Consolidating in The Indian Oil Market

Dutch oil trader Trafigura, one of the largest sellers of Rosneft crude, could become a partner in Essar Oil, which owns the second largest refinery in India. Rosneft plans to buy 49% of Essar shares. Trafigura is closely working with Rosneft. It became the second largest foreign buyer of Rosneft oil in 2015, after the Chinese CNPC. If negotiations with Essar Oil are successful, Trafigura could become a partner in the Indian market. Rosneft signed a non-binding agreement in July 2015 to purchase 49% of Essar Oil and, in March 2016, during working visit of the Rosneft President Igor Sechin to Mumbai, "full understanding" about the conditions, the timing and the structure of the transaction was reached. It was then planned that the transaction would be completed before the end of June, "subject to the receipt of all the necessary corporate and regulatory approvals. The company was looking for investment opportunities in oil refining in India, primarily to ensure the synergy of supply and refining.

Russia India Cinema sector Collaboration

There is an ongoing process to prepare an intergovernmental agreement in the field of cinema, which will facilitate joint cinema production, and a mutual film distribution. The agreement will comprise of components such as taxation, exchanging Russian and Indian cinema weeks. It is about creating conditions for fruitful bilateral cooperation in the field of cinema. Such documents are already in force with China and other countries. A regional film commission will be created which will compensate filmmakers from different countries for a part of the costs spent on shooting in a particular region. This will be a lever to activate the joint cinema production. An Eurasian Academy, which would be similar to the "Oscars;" with the participation of Russia, India and China will be created to award a prize every year from this Cinema Academy. Proposals are expected from India and China, and who will be the co-founders. In Russia, it is the National Academy of Motion Picture Arts and Sciences as the co-founder. Since 2014, state supported contracts have included a compulsory item on submission of motion pictures with English subtitles. In context to this program, events have been planned to establish 400 theatres in small Russian cities with a population of 100,000 people, which will be funded by the state and the Ministry of Culture,
modernization of existing halls and equipping existing premises, re-opening theatres where at least 50% Russian films will be screened, at the end of 2016. Also, it is planned to open a new site for the "Soyuzmultfilm" studio. It is moving to new premises, and will invest in its refurbishment and modernization. A new "Lenfilm" studio workshop will also be opened. Among the other events is the Russian young filmmakers Congress, presumably to be held at the end of August in Yakutia. Also, there is a plan to hold the 'Russian Film Days,' on August 27, and hold a "Night at the Movies" promotion, this is supposed to be a large-scale nationwide event.

A Dedicated Trade Mission

The Indian consulate in Vladivostok and its services, are one of the friendliest Indian missions anywhere in the world. It, however, has a very narrow scope of activity. Given the increasing economic importance of the Russian Far East for India, a dedicated Indian trade mission in Vladivostok is the need of the hour. India needs to hire professionals on a contract basis with set economic and trade targets to operate such a mission. In this way India can tap the economic opportunities available in the Russian Far East by having a team of young and motivated professionals with proper performance-based financial incentives living in the region. In a matter of time when Russia is expanding its Asian outreach, it is necessary for India to move in before India's competitors with geographical advantages move in. If a proper strategy is developed, the Russian Far East can become one of the main drivers of India's 'Act East' policy.

India joins MTCR: Space, Missile cooperation with Russia easier and establishment of nuclear stations in India by Russia

India has become the 35th country to be admitted to the Missile Technology Control Regime (MTCR), a major international anti-proliferation group of which Russia is a key member. This should enable easier space and missile collaboration with Russia, which could not supply cryogenic engines and other dual use technology missiles to India, because it was bound by MTCR norms. It will also enable India and Russia to sell the supersonic 'BrahMos' missile, which has a range of 290 kilometres, to third world countries. India and Russia co-produce the Brahmos, in a joint venture. Such a development would raise India's profile as an arms exporter. Vietnam is supposed to seek benefit from such a sale. The MTCR is an informal and voluntary partnership among member countries to prevent proliferation of missile and unmanned aerial vehicle (UAV) technology which can carry a 500 kg payload up to 300 kilometres. Admission to the MTCR would open the way for India to buy high-end missile technology, and state-of-the-art surveillance drones, which it seeks for border security. Membership of the MTCR would also require India to comply with rules to prevent developing of arms races. Russia has also backed India's bid to become an NSG member, and has said it is ready to assist in arriving at a "positive decision" for India to join the elite nuclear commerce club. Russia has also offered to build over 20 nuclear power units in India, up from the 12 offered earlier.

Russian micro-circuit chips for India's space programme

"Angstrem," the Russian company which manufactures micro-electronics and is in discussion to finalize the supply of around 10,000 pieces of radiation-hard chips for the Indian aerospace industry. The contract could be worth $200,000. Angstrem has, at the moment, manufactured and sent for testing several products for spacecraft control systems and launch vehicles. The company hopes that serial deliveries will begin as early as September this year. Izvestia was informed by Angstrem that the company itself came up with the proposal to an Indian private company, contacted by the Indian Space Research Organisation (ISRO) Space Agency. According to Svetlana Apollonova, Chairman of the Association Board of manufacturers of electronic equipment and appliances, the conclusion of this contract demonstrates the rapid development in the Russian production of micro-electronics.

Free Trade Agreement between India and the Eurasian Economic Union

An agreement has been signed for setting up a Joint Study Group on a Free Trade Agreement between India and the Eurasian Economic Union and a meet to decide upon the scope and timelines for the Study has been carved out. There have been increased exchanges of business visitors namely a large number of Indian companies interested in business, including joint ventures, with Russian companies in both the civilian and defense sectors between the two countries for the forthcoming MAKS Air Show on August 25.

Make in India initiative

Russian companies have shown considerable interest in the ‘Make in India’ initiative. The joint manufacture of Ka-226 helicopters in India is mentioned as the first India-Russia Make in India project. Meanwhile, a number of other project proposals are under discussion at various levels.

India may take part in Russian lunar program

Russia is ready to discuss India’s participation in the Russian lunar program. There are talks about placing adjusting
on Information and Communication Technology was held in the world. In October 2015, the first India-Russia Roundtable on Information and Communication Technology was held in Moscow with participation of business representatives from both the countries. The discussion centred on various ways of further intensifying cooperation in the field of cyber security, e-governance and other IT related issues.

In the IT start up sector Yuri Milner, the Russian billionaire investor has taken a small stake in Practo, a rapidly expanding start-up based here that helps patients and doctors digitise their engagements.

The money was from his personal account. But, with a war chest of $1.7 billion (Rs 10,831 crore), Milner, who rose to fame as a deft investor in information technology (he’d invested in high-growth global entities such as Facebook and Airbnb), is keen to expand in India.

In India, he has already made investments in both his personal capacity and through DST Global, his venture firm. These have been in online marketplace Flipkart, cab aggregator Ola, real estate discovery platform Housing.com, and Swiggy, a food delivery start-up.

**Pharma 2020 programme**

In the pharmaceuticals sector, where India has emerged as a reliable supplier of quality generic drugs to Russia, potential for further cooperation is promising. Under Pharma 2020 programme of the Russian Government which aims at developing domestic production base, leading Indian Pharma companies have started engaging with Russian partners to consider possibilities of joint investments. Several B2B agreements have been concluded and a Memorandum of Understanding between the Central Drug Standard Control Organisation of India and the Federal Service on Surveillance in Healthcare and Social Development of the Russian Federation on assurance of quality, safety and efficacy of medicines has been concluded for facilitating future cooperation in this sector.

**Investment through Rupee Debt owed by India to Russia**

Russia will utilize the rupee debt owed by India to finance its joint venture (JV) projects in aviation. These investments will have a lock-in period of five years. The money (from the rupee-rouble trade days) is at present parked in a rupee account with the Reserve Bank of India (RBI), and can only be used by the Russian firms for buying goods from India. Russia estimates the rupee debt to be close to $1 billion (around Rs4,500 crore). The investments will be used by Russia to set up a titanium dioxide project in the country. Titanium dioxide is a light metal compound used in aircraft industry. India has the raw material, while Russia has the advanced technology to utilize it. Officials said Russia was also keen to invest in light multi-purpose aircraft sector. Russia has wanted to use the

**Agreement to set up diamond sector JVs in India by Russia**

Agreements between Alrosa, the Russian Diamond Company and Indian companies will witness more trade regarding cutting and processing diamond in India. There are natural complementarities between India and Russia in the area of trade in rough diamonds. Russia as a major producer of rough diamonds and India as the leading processing center. In order to encourage more direct trade between Alrosa and Indian diamond traders, Alrosa is planning to open an office in the newly established Special Notified Zone (SNZ) in Mumbai. As a first step, Alrosa has carried out the first display of diamonds at the SNZ in December 2015.

**North-South corridor**

Russia has decided to bypass sanctions on Iran and signed a MoU to intensify economic cooperation. India along with the two countries can push for marked progress on the North-South Transport corridor. The corridor project envisages a ship, rail and road route that connects ports on India’s west coast to Bandar Abbas in Iran, then overland to Bandar Anzali port on the Caspian Sea and through former Soviet republics right up to Russia. The route could be either via Armenia and Georgia or the more practical option of Azerbaijan and Kazakhstan. An inter-governmental agreement on the corridor was signed between Russia, Iran, India and Oman, back in 2001, but there has been very little progress in making it functional. Now more than ever, Russia needs to push for all the railway connections to be built at a rapid rate to make the corridor functional. This functioning of the corridor would also open Russia and many former Soviet states to India’s fruit and vegetable exporters in years when India has a bumper crop. Russian and Indian businesses are keen in the establishment of the North-South Transport Corridor, which will significantly fasten the transportation of goods from South Asia to the Russian Federation, CIS and Europe. It is not clear how long Russia’s impasse with the West will last, but this is as good a time as any for Indian businesses to rediscover a country that was one of India’s biggest trade partners in the 1970s and 80s.

**Investments in IT and IT Start Up Sector**

The potential for cooperation between India and Russia in the IT sector has been recognized by the leadership of both the countries. Russia is one of the fast growing IT markets in the world. In October 2015, the first India-Russia Roundtable on Information and Communication Technology was held in
rupee debt for making investments in India. New Delhi was, however, keen on a lock-in period for allowing these investments. Officials said India is also keen to settle the debt as payments to several Indian exporters were held up in Russia in lieu of the country’s outstanding debt. India has been repaying by transferring rupees to Russian Vnesheconombank account with RBI. The repayment period is till 2037, and is on a reducing scale. It will drop from the current level of Rs1,000 crore to Rs400 crore per year by 2010.

**Bottlenecks in Indo-Russia Trade**

India and Russia need to revamp economic relations and clear bottlenecks through good will and mutual trust. It has been observed that Indo Russia trade has not been a blockbuster as is the case of Russia China trade. This has happened due to economic and trade policy blocks which India has not taken note of and has not sped its global relations in context to the same. The global trade is largely governed by trade agreements between various trading countries and India has been late in realizing the importance of these issues. Though India and Russia share excellent mutual friendship India has not been able to seal these relation in terms of required diplomatic relations agreements capitalizing the same. Another major drawback responsible for low level of economic ties between the two countries is the lack of a contiguous border and therefore the logistics of connectivity. The development with respect to the International North South Transport Corridor and the sea route from the Russia Far East have not received required attention from India and Russia. India’s domestic history of inflation has been another issue which has prevented India from deriving major trade benefits from this mutual friendship.

India and Russia will benefit from key sectors which they are deficient in, to perfectly fit the gear and boost economic cooperation. Russia’s expertise in defense equipments, space technology, building of smart cities, nuclear energy, and its natural resources of oil and gas are certainly elements of attraction for India. Indian consumer goods, pharmaceuticals, diamond processing, information and communication technology complete each other’s requirement. This can be achieved when India extends its membership to regional congregation like the SCO or signs the required FTA with Eurasia group. Russia has been part of these congregations and trades based on their norms. The recent membership of India for eg in the MTChr has helped India and Russia to work more prominently on the Brahmos project.

Apart from these major criteria we need to understand the ground level issues which have been hindering trade for a long time now between the two countries.

1. Indian companies are tough and difficult negotiators in terms of business. Most of them have not realized the importance of flexibility in dealing with crucial issues related to supply and price deviation and how to devise strategies to handle these issues.

2. Both the countries need to synergize their policy tools and make their ‘institutional dialogue architecture more result-oriented and forward-looking. Removal of obstacles and speedy implementation of policies is of prime concern. Some of the bureaucrats are caught up in a time-wrap and suffer from a biased approach, red-tapism being a big problem in both the countries. It is quite in the range of possibility as the leaders of both the countries are dynamic and capable of taking quick decisions. The cooperation not only at the country level but also at city level and province to province level will also likely to be encouraged.

3. Misunderstandings arising due to political alliances such as Russia’s large trade with China or supply of defense equipment to Pakistan and India’s alliances with US in the defense sector need to be considered as country strategic moves beneficial to each of them and kept aside. It should be appreciated that India’s expanding ties with USA are neither at the expense of Russia nor are they in any way directed against Russia or detrimental to its interests.

4. Visa rules between the two countries are playing problems which need to be to facilitated to help boost easy entry and exit to the frequently travelling passenger traffic.

5. Some of the challenges are within the bilateral framework such as the one related Bilateral Investment Promotion and Protection Agreement (BIPPA), and some others emanating
from outside the bilateral framework such as religious extremism and terrorism.

6. Indian exporters have to deal with sanitary norm compliances as well as competition from those countries that had been already trading with Russia successfully being an issue which blocks trade from Indian side.

7. Though development of banking links between India and Russia has witnessed some concrete progress, Indian banks are reluctant to finance the export of Indian goods to Russia, also in Russia they have more confidence in western firms even though they are expensive they are considered to be reliable.

Some recommended strategies which would help remove obstacles and facilitate trade

1. Both countries need to evolve a framework to trade in rupee and rouble as the economic sanctions have impacted the trade, and also goaded Russia to explore other alternatives away from a dollar dominated economy. Russia is also exploring a similar arrangement with China, and this drive may lead the RIC countries, and possibly BRICS countries, to have an economic arrangement to tame the economic crisis arising out of the conflict in Russia's east. If India were a member of the Eurasian Union and if operations between the two are conducted in roubles and rupees, it would give a major fillip to Indo Russia trade cooperation. Though Russia would gain politically financially India would benefit more.

2. One way to be part of global value chain is attracting export oriented FDI on which government is taking steps, but the success depends on improving ease of doing business. Government also should try to conclude a few FTAs such the India-EU FTA, which has been on the anvil for a long time. These agreements would also give a major boost to India's textile exports. However, at the same time, it is high time that government, particularly ministry of Commerce, do their homework properly before signing any FTA or comprehensive agreements. India has had unfavorable trade with trading partners, with whom it has signed trade agreements, during post-agreement period, particularly with big economies in Asia like Korea and Japan. In recent months, exports contraction is mainly because India finds it difficult to penetrate Asian markets such as China, Korea, Japan and Indonesia. So it is time to negotiate with these countries for market access and, address tariff and most importantly non-tariff barriers that Indian exports are facing in these countries

3. Rusprodsoyuz has recently signed an agreement with China Trade Chamber, with the help from Economy Ministry of Russia and a similar deal can be reached with Indian industrial bodies. Market rules, regulation, exchange of customs codes for about 50 commodities, information about the availability of tradable commodities and helping with certification procedures are part of the agenda for such a cooperation which can be extended with Indian entities.

4. Exchange of visits and collaboration between educational institutions also needs to be promoted. As there is an urgent need to train and raise a new generation of Indologists in Russia. Scholars and academics have always played a critical role in promoting cooperation between the two countries.

5. India’s anticipated membership in the Shanghai Cooperation Organisation (SCO) at its forthcoming Summit in June 2016 in Tashkent, Uzbekistan, will provide a valuable opportunity for the two countries to strengthen their partnership. India’s potential participation in the Eurasian Economic Union will be a win-win proposition for all members of the grouping.

6. Construction of the Chabahar seaport, associated rail-road linkages and development of the International North-South Transport Corridor will spur ties between India and Russia as well as with Central Asia and Afghanistan.

7. There should be efforts to boost the aviation cargo sector to transport Indian exports to Russia which would be majorly for the fast consuming retail sector.

8. Trade can be further extended by having Russian and Indian stocks listed on the country exchanges.

9. The creation of dedicated investment funds on both sides, both debt and equity would allow industrial linkages to occur.

10. A strong focus needs to be initiated on the “Make in India”, plan for core industries in Russia where it can enter the Indian market with a strong domestic presence and use production in India to support global supply chain
The state performs its key function - to guarantee security of its citizens in different spheres. Customs Union countries should agree on the list of new exporting companies within three months. During the first stage it will take a few weeks to prepare a preliminary report about a company. Then it will be sent to the Indian company, which should respond soon. The companies are chosen for further inspection from the list provided by the Indian colleagues. The preparatory work is done by the Indian side. They send inspectors to each company to determine whether it meets Russian requirements. After that, Russian counterparts visit the selected companies.

It is not easy to estimate the demand in the Russian market. It depends on the interests of the Russian business community. First, it depends on the price level for the product. Second it depends on the willingness of our Indian businesses to increase production for the needs of the Russian market. The Indian businessmen are ready to reduce the price of products supplied to Russia in case sales grow.

India and Russia are natural allies. It is in the interest of both countries to have vibrant relations. Issues like SCO expansion, climate change, Arctic exploration, terrorism, drug trafficking and money laundering too need attention of both the countries. It may not be a surprise that in 2015 both the countries push for a comprehensive convention on international terrorism at the 70th anniversary of the United Nations, and strengthen bilateral mechanisms to counter the menace. Bilateral trade needs to be brought to a decent level of USD 30 billion by 2025 as against the current level of below 10 billion.

Interaction between the leaders at Tashkent during the SCO Summit BRICS and bilateral should be used to strengthen bilateral ties in the spheres of strategic, political, security, nuclear energy, hydrocarbons, defense procurement, academia and people to people relations.

It is believed that there may now be an additional demand for Indian products because of two events, the sanctions war between Russia and the West and the change of taxation on goods supplied from Ukraine and Moldova due to which there will be a modest increase in demand from the Indian side. However, there is one good news that as per new policies an enterprise with foreign investment engaged in the manufacturing industry is now allowed, without additional approval to sell its product in the retail market including through ecommerce systems.

**Conclusion**

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