

Israel-Russia Economic Relations: A Pragmatic Partnership Amid Geopolitical Tensions

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Divya Malhotra*

The economic relationship between Israel and Russia stands as a testament to pragmatic diplomacy, resilience, and strategic cooperation. Despite geopolitical tensions and shifting alliances, economic cooperation has remained relatively stable, demonstrating a relationship based on mutual interests rather than ideological alignment.

Economic collaboration between Israel and Russia is deeply rooted in historical migration patterns and political transformations. Following the collapse of the Soviet Union in 1991, Israel saw an influx of over one million Russian-speaking immigrants, leading to strengthened cultural and economic bonds (Gitelman, 2019). Many of these immigrants brought technical expertise that contributed to Israel's booming high-tech industry, fostering opportunities for collaboration in innovation, energy, and trade. Economic cooperation grew, with trade expanding in sectors such as energy, technology, and agriculture. Even though security cooperation remained limited, as Russia maintained relations with Israel's regional adversaries, including Iran and Syria, diplomatic dialogue increased, and both nations sought areas of mutual interest, particularly in economic and technological exchanges. Despite Russia's opposition to certain Israeli policies, particularly regarding the Middle East peace process, relations remained largely pragmatic, with both sides benefiting from trade, investment and commerce.

Trade and Investment: The Core of Economic Relations

Bilateral trade between Israel and Russia has grown significantly since the dissolution of the Soviet Union in 1991, reaching approximately US\$ 5 billion annually (Bank of Israel, 2022). In 1991, the trade turnover between the two nations was approximately US\$ 70 million (Jamestown, n.d.). Within five years, this figure multiplied by almost nine times to US \$650 million in 1996. Since

then, both the countries have managed to keep a functional economic relationship, while navigating tensions due to Russia's alliances with Israel's adversaries including Iran and Syria.

Russia has been a key supplier of raw materials and energy resources, while Israel has provided advanced technology, agricultural innovations, and medical products to the Russian market (Bank of Israel, 2022). As of 2023, bilateral trade between both the countries stands at US\$ 2.6 billion. The trade has been heavily skewed in favour of Russia, whose exports are five times higher than its import reliance on Israel. As per latest data by Observatory of Economic Complexity (OEC, 2023), Russia's exports to Israel were valued at US\$ 2.05 billion, with primary products including hot-rolled iron bars (\$463 million), refined petroleum (US\$ 403 million), and wheat (\$314 million). Additionally, in 2023, Israel imported US\$ 12 million worth of vodka from Russia, making it the second-largest importer of Russian vodka (after Kazakhstan), despite western sanctions (Eichner, 2024). In the same year, Israel's exports to Russia were US\$ 552 million, featuring tropical fruits (US\$ 82.1 million), beauty products (US\$ 37.8 million), and pesticides (US\$ 33.6 million) (OEC, 2023)¹. This growth underscores the dynamic nature of their economic relationship (Russian Trade Report, 2022). While bilateral trade data between Israel and Russia for 2023 and 2024 are limited, these overall trade figures provide insight into the broader economic context within which Israel-Russia trade relations have evolved.

Several Russian entrepreneurs and venture capital firms have also backed Israeli startups specializing in artificial intelligence, fintech, and data protection (Katz, 2020). In 2011, Rusnano, the Russian government's investment arm collaborated with the Russian Venture Company to finance a project with Israel's Micro Components Ltd (Oreanda-News, 2011). This partnership aimed to establish production in Russia of substrates for LED assemblies using patented ALOX™ technology developed by the Israeli company. In 2011, IsraelSK project was initiated to promote

¹ According to the United Nations COMTRADE database (2025), the latest available data on Russia's imports from Israel is from 2021. In 2020-21, Russia imported goods valued at approximately \$846.95 million from Israel. The primary imported commodities included Electrical, electronic equipment, edible vegetables and fruits, Machinery, nuclear reactors and boilers, and Pharma products.

cooperation between Israel and Russia in the commercialization of innovative technologies, and foster joint ventures between Israeli and Russian startups (IsraelSK, 2011). Additionally, Israel has pioneered irrigation and desalination technologies that have gained traction in Russia, helping to improve agricultural yields in arid regions (Goldman, 2022). Israeli pharmaceutical companies, such as Teva, have expanded operations in Russia, offering affordable and innovative healthcare solutions (Magen, 2023). Furthermore, before the COVID-19 pandemic, approximately 400,000 Russian tourists visited Israel annually, contributing significantly to Israel's economy (Bank of Israel, 2022). Religious and medical tourism remains a key sector of engagement between the two nations.

Energy Cooperation and Competition: Energy has long been a focal point of Israel-Russia economic relations, marked by both collaboration and competition. Russia, one of the world's largest energy producers, has been a significant supplier of oil and gas to Israel. According to data from the United Nations COMTRADE database, Israel's imports from Russia in the category of "Mineral fuels, oils, distillation products" amounted to \$1.91 million in 2022, down by 18% from US\$ 2.34 billion in 2018 (Trading economies, 2018; 2022). The decline was largely due to Israel's strategic shift towards energy independence. Israel's discovery of vast natural gas reserves in the Mediterranean—such as the Leviathan and Tamar fields—not only reduced its reliance on energy imports but positioned it as an emerging player in the global energy market (Koren, 2023).

Israel's aspirations to export gas to Europe, a market historically dominated by Russian energy supplies, have created strategic challenges. Moscow has closely monitored Israel's agreements with European nations regarding gas exports, as Israeli supplies could reduce Europe's dependence on Russian gas (Magen, 2023). Despite these concerns, Israel and Russia continue to explore joint energy projects, and Israeli energy firms have maintained dialogue with Russian counterparts.

Geopolitical tensions:

The war in Ukraine has cast a shadow over their economic relations. Following Russia's invasion of Ukraine in February 2022, Western nations imposed sweeping sanctions on Moscow, targeting

its banking sector, energy exports, and technology industries. While Israel has refrained from directly imposing sanctions on Moscow, many Israeli companies have scaled back their Russian operations due to pressure from Western allies (Ben-Ami, 2023).

Russia's increasing alignment with Iran—a major adversary of Israel—has further complicated economic relations. Iran and Russia have strengthened trade, military, and energy ties, raising concerns in Israel about the potential implications for regional security (Efron, 2023). Reports indicate that Russia has procured Iranian-made drones for use in Ukraine, deepening military collaboration between Moscow and Tehran. This shift poses a direct strategic challenge for Israel, given Iran's longstanding hostility toward the Jewish state (Efron, 2023). Additionally, Russia has placed restrictions on certain Israeli organisations such as private charity body - Jewish Agency² within its borders, creating diplomatic friction that could spill over into the economic sphere (Goldman, 2022).

The war has disrupted global supply chains, impacting key sectors of Israel-Russia trade. The Israeli technology and defense industries, which previously engaged with Russian firms, have had to reassess their relationships due to export restrictions and financial transaction limitations. Moreover, Israel's agricultural imports from Ukraine, a major grain producer, have been affected, increasing its reliance on Russian wheat supplies (Jerusalem Post, 2023). Thus, Israel has taken a cautious approach, balancing its economic interests with diplomatic considerations while seeking to avoid antagonizing either Russia or its Western allies.

Future Prospects: Navigating Uncertainty

Several key trends will shape the future of their economic relations. Despite diplomatic tensions, Russia remains interested in Israel's technological advancements. If political conditions allow, joint ventures in artificial intelligence, cybersecurity, and space technology could deepen economic ties. As Israel expands its gas exports, competition with Russia in the European energy market

² The Russian branch of the Jewish Agency facilitates Jewish migration to Israel.

could escalate. However, opportunities for collaboration in energy infrastructure and research may emerge if geopolitical tensions stabilize (Magen, 2023). Israel will continue to face pressure from Western allies to limit economic engagement with Russia, but the ability of Israeli government and businesses to navigate these restrictions will determine the strength of future trade relations. Looking ahead, Israel and Russia will need to balance economic pragmatism with shifting geopolitical realities. The coming years will test the resilience of this partnership, as both nations weigh their economic interests against evolving global tensions.

Under Donald Trump's current administration, Israel-Russia relations may take on more pragmatic tone. Trump's warmer stance toward Vladimir Putin will allow Israel to maintain steady economic ties with Moscow while avoiding direct confrontation with Western allies. This dynamic will allow greater flexibility in its trade and energy policies, potentially expanding investment opportunities between the two nations. However, the long-term implications of Trump's approach remain uncertain, as shifts in U.S. foreign policy could influence Israel's strategic calculations.

*** Divya is a non-resident visiting fellow with Centre for National Security Studies, Bangalore. She holds a PhD in International relations from Jawaharlal Nehru University, New Delhi.**

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