



# BULLETIN

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## India-Russia Relations: An Enduring Partnership?

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*Russian President Vladimir Putin's visit to New Delhi for a bilateral summit has brought new agreements but failed to overcome recent problems in relations. This proves that although India and Russia share political interests and economic complementarities they have been lacking capacities to realise the potential of a strategic partnership. However, as both countries grow stronger they can become more attractive partners and better alternatives to the West. The European Union should pay more attention to these relations as it may limit its own influence and opportunities.*

**Strategic Re-engagement.** In the Cold War era the Soviet Union was a major strategic partner to India, providing it diplomatic support at international forums, military equipment and technology. The demise of the USSR weakened their bilateral relations as both countries refocused on developing stronger relations with the West. It was only during the last decade that new attempts to revive historical ties have been strengthened. In 2000, India and Russia signed a declaration on a "strategic partnership," which was further upgraded to "special and privileged" in 2010. Still, the record of the first decade of the partnership has been rather modest, with new frictions over the delivery of a Russian-made aircraft carrier, nuclear energy cooperation and bilateral investments in recent months. Thus, the visit of Russian President Vladimir Putin to India for a 12<sup>th</sup> bilateral summit on 24<sup>th</sup> December was seen as an attempt at reviving traditional ties. The summit ended with 10 new agreements, including a \$2.9 billion arms deal and establishing a \$2 billion fund to facilitate strategic investments, but did not result in a breakthrough on any of the contentious issues.

Nevertheless, India and Russia are destined to cooperate due to their strategic affinity. They both contest Western domination in international affairs and are concerned about the rise of China. They support the emergence of a multipolar world order in which they see themselves as one of the regional centres. Russia offers overt support for India's permanent membership on the UN Security Council, the Nuclear Suppliers Group (NSG) and the Shanghai Cooperation Organization (SCO), and both countries cooperate closely within new groupings of emerging powers such as BRICS (Brazil-Russia-India-China-South Africa), and RIC (Russia-India-China). Even if big differences between the members undermine the effectiveness of BRICS, Russia and India consider it a tactically useful platform to advance the interests of the new powers. Moreover, both countries share a vital interest in combating terrorism and may step up cooperation on Afghanistan when the West pulls out troops after 2014. Shared adherence to the notion of national sovereignty and non-interference in domestic affairs distance them further from some Western projects such as humanitarian intervention or the promotion of democracy. For instance, they were very critical about the NATO air strikes in Libya in 2011, calling them a way to invoke "regime change," and today support a political rather than military solution to the crises in Syria's and Iran's nuclear ambitions.

**Defence Cooperation.** With more than 70% of its military equipment of Soviet or Russian origin, India recently overtook China as a major customer for the Russian defence industry, composing about 30% of its arms exports. Between 2007 and 2011, India bought Russian military equipment worth \$10.6 billion and signed contracts in the last decade exceeding \$30 billion. The two countries have gone beyond trading relations to the transfer of military technology and joint R&D. For instance, the licensed production in India of Russian equipment includes SU-30 aircraft

and T-90 tanks. Important examples of joint ventures are the development of BrahMos supersonic cruise missiles, fifth generation fighter aircraft and the Multi-Role Transport Aircraft.

Despite some progress, defence cooperation is often marred by delays in the delivery of ordered armaments, increases in prices and growing concerns about the quality of Russian equipment. The most striking example of such problems is the aircraft carrier *Admiral Gorshkov*, bought by India in 2004. Its delivery was postponed several times and its cost tripled. India has started to look to diversify its military suppliers and purchase more high-tech equipment from the West. The selection of the French Desault Rafale over the Russian MIG-35 in a contract for 125 multi-role combat jets has upset many in Russia. Moreover, India's strategy to develop its domestic defence industry poses a new challenge to strong cooperation with Russia. In this context, one can perceive Russia's interest in technology transfers and joint R&D as a way to sustain its dominance in the Indian market.

**Economic Complementarities.** Bilateral trade has been long a missing point in the partnership, but this has started to change in recent years. Trade volume has tripled, from a mere \$3 billion in 2005 to \$8.9 billion in 2011, and both sides plan to reach the \$20 billion mark in 2015. Bilateral investments are equally underdeveloped and were an estimated \$7.5 billion in 2010. Indian FDI in Russia stands at around \$6.5 billion, mostly in the energy, banking, and pharmacy sectors, while Russian FDI in India is about \$1 billion, primarily in telecommunications. The composition of traded goods and an analysis of the potential of both economies disclose clear complementarities, especially in the energy sector, on nuclear cooperation and in science and technology.

While India is a major importer of energy resources, Russia is amongst the world's largest exporters. Thus far, gas and oil have composed only a tiny fraction of India's imports from Russia (around 5%) and investments have only started gaining ground. The Indian state-owned company ONGC Videsh Ltd (OVL) owns a 20% stake in the Sakhalin-I Far East offshore gas field, and in 2009 bought the Imperial Energy Group (which conducts geologic exploration and oil extraction in Tomsk Region). It has just recently confirmed that it wants to partner with Rosneft in potential oil exploration projects in the Russian Arctic Shelf. As Indian corporations gain more experience on Russian markets one can expect more joint projects in the future. Moreover, Russia is interested in cooperation on renewable energy in order to benefit from planned large Indian investments in that area.

Russia is also a valuable partner in satisfying India's growing needs for nuclear energy. It soon will be the first foreign investor to build a nuclear plant in India, and once new nuclear liability provisions are agreed, it will be ready to build 16 more reactors. Both countries also have distinct capacities to strengthen scientific cooperation and are considering joint projects in space exploration, including a joint mission to the moon (the Chandrayaan-2 project) and the Russian GLONASS system (a possible alternative to American-operated GPS) as well as the joint design of civilian commercial aircraft. Other ambitious ideas waiting to be implemented include the North-South Trade Corridor, which would link Mumbai to St. Petersburg, or cooperation on the construction of the TAPI gas pipeline (from Turkmenistan to India). During the recent summit, both sides agreed to also start negotiations on a Comprehensive Economic Cooperation Agreement (CECA) between India and the Customs Union of Russia, Kazakhstan and Belarus.

**Conclusions.** The strategic partnership between India and Russia has yet to meet expectations and there is significant unrealised potential for closer cooperation. The weakness of these relations lies not in a lack of political will but rather in weak capabilities to deliver on commitments. This suggests that the future shape of this partnership will depend primarily on internal economic progress—the faster both states develop and modernise, the more they will have to offer to each other. In the short term, as the relationship grows more complex and broader, one can expect more occasional tensions over specific projects but not any serious crisis that could derail their enduring partnership. The shared worldviews and economic complementarities make India and Russia natural partners in a multipolar world.

The resurgent India-Russia ties pose a new challenge to the West, and especially limit the influence of the European Union on these two strategic partners. Both countries' scepticism towards the EU sanctions on Iran and opposition to the EU's promotion of a carbon tax on airlines are just two recent examples of their growing assertiveness. Probable disappointments in relations with the EU may bring India and Russia even closer together. The EU should pay more attention to this relationship and explore opportunities for trilateral cooperation. One such occasion is the beginning of Russia's presidency of the G20. As India and Russia share more interests with each other in the G20 than with the EU, it is important for the Union to be more proactive in engaging them in areas of common interest, such as tackling issues related to unemployment or stimulating investment.