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India- Russia Economic, Trade, and Various Relations

Miss Mitali Meshram

PhD Scholar, Political Science

Durga College, Raipur, CG

Dr. Ajay Chandrakar

Assistant professor, political Science

Durga College, Raipur

Abstract

India and Russia shared decades of close bond at the highest levels during the Soviet era. Indeed, as early as 1992, India and Russia had negotiated arms agreements worth \$650 million. A particularly high point since then has been the evolution from “a purely buyer-seller relationship to joint research, design development and production of state-of-the-art military platforms,” a successful example of it being Brahmos missile. from “a purely buyer-seller relationship to joint research, design development and production of state-of-the-art military platforms,” With an eye on the future, several pacts on cooperation in energy, power, shipbuilding, space and smart cities were signed. Modi and Putin also witnessed the foundation laying ceremony of Units 3 and 4 of Kudankulam nuclear plan, giving a major boost to defence equipment’s, India and Russia signed pacts on purchase of four naval frigates and air defence systems along with a pact for joint production of 200 Kamov 226T helicopters apart from that, more than 70 years of the diplomatic relations between the two countries have been marked by a high degree of convergence on various bilateral and global matters . Both India and Russia are part of non-Western organisations such as SCO and BRICS which has gained geopolitical significance in recent years. Both the country along with other member states, strive towards the establishment of a bloc free geopolitical architecture. the trade relationship clearly needed revamp with bilateral trade having reached a mere \$9.51 billion in 2014 which was nowhere near the goal of \$20 billion by 2015. The Druzbha-Dosti 2014 joint statement then set the target of attaining the trade level of \$30 billion by 2025. the two countries to overcome the old romanticism of the Indo-Soviet ties and engage at a pragmatic level. Today there is no denying the mutual trust and friendship that exists between the two countries

Keynotes:

Bilateral, Trade, Vivify, Treaty, diplomatic, Friendship, Defence.

Introduction

India and Russia shared decades of close bond at the highest levels during the Soviet era. The uproar of the immediate post-Soviet years, however, bend through the Indo-Russia relationship as well, as the newly established Russian Federation sought to rebuild its foreign policy. Even so, India and Russia both made efforts to vivify their relationship. In 1993 they signed a Treaty of Friendship and Cooperation, and a year later they followed it up with a Military-Technical Cooperation agreement and after the collapse of the Soviet Union, Boris Yeltsin administration adopting a pro-Western foreign policy orientation. For India, meanwhile, it was the time it began liberalising, globalization, privatization its economy and looking to the West for investment and trade. India would become a leading importer of Russian weapons, following a concise period from 1990-93 when there was a heavy fall in the volume of arms sales. By the mid-1990s, Russia's exports to India and China were contributing 41 percent of the total revenue of its defence industry. This was crucial for the survival of Russia's arms industry, which suffered as its own military reduced orders in the backwash of the collapse of the Soviet Union. Indeed, as early as 1992, India and Russia had negotiated arms agreements worth \$650 million. A particularly high point since then has been the evolution from "a purely buyer-seller relationship to joint research, design development and production of state-of-the-art military platforms," a successful example of it being Brahmos missile. The two are also involved in indigenous production of tanks and fighter jets, along with the upgrade of existing systems. By 1996, Russia's trade with India contributed a mere one percent of Russia's overall trade, people-to-people the cultural contacts that had boom during the Soviet Union period. A renewed effort to strengthen the bilateral relationship was made at the beginning of the presidency of Vladimir Putin in 2000, when the annual summits between India and Russia were instituted. In 2010, marking a decade of the 'Declaration on Strategic Partnership' between the two countries, the joint statement proclaimed that the relationship had reached "the level of a special and privileged strategic partnership." The process of re-establishing the multi-dimensional relationship has been long; it has also had to contend with the geo-political and geo-economic shifts both at the regional and global levels. This has required the two countries to overcome the old romanticism of the Indo-Soviet ties and engage at a pragmatic level. Today there is no denying the mutual trust and friendship that exists between the two countries. However, the divergences in the goals of the two nations have sharpened in recent times – fuelled by both bilateral and international factors – and have the potential to deeply impact the future of Indo-Russia relationship.

Science Technology and Infrastructure

India and Russia agreed to set up a Science and Technology Commission to help societies will reap the benefits of joint development, transfer and sharing of cutting-edge technologies in different fields. With an eye on the future, several pacts on cooperation in energy, power, shipbuilding, space and smart cities were signed. Modi and Putin also witnessed the foundation laying ceremony of Units 3 and 4 of Kudankulam nuclear plant, giving a major boost to defence equipment's, India and Russia signed pacts on purchase of four naval frigates and air defence systems along with a pact for joint production of 200 Kamov 226T helicopters. The Kamov 226T choppers, naval frigates, air defence systems were among major deals signed between the two nations. "The agreements on manufacturing of Karnov 226T helicopters; construction of frigates; and acquisition and building of other defence platforms are in synergy with India's technology and security priorities" At the launch of the Kudamkulam nuclear power plant, Putin congratulated India for increasing its energy security and said that mutual trade has increased and reached \$15 billion which is near the 2025 target of \$25 billion. Putin said Russia is working on inter-governmental agreement on fifth and sixth reactor in Kudamkulam Nuclear Plant. "Companies of both countries are improving industrial cooperation, military and technical cooperation also improving", Putin further added. Talking on terrorism, Putin said one of our (India and Russia's) priority directions is fighting terrorism".

Economic Factors

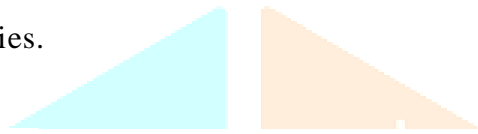
The 2014 joint statement issued by India and Russia—meant to provide a vision for the coming decade for their relationship—identified the areas of energy, technology and innovation and economic cooperation as focal points. Some of the recommendations included participating in oil, gas, petrochemical and power projects in each other's countries, joint design and development of technology in areas like space, defence, aviation, IT, new materials as well as an increased focus on high-technology sectors – while declaring that they will "facilitate the full realization" of "enormous untapped potential in bilateral trade, investment and economic cooperation. "India was 18th in the list of Russia's top exporters while its ranking in the latter's imports was at 23rd. While this was an improvement from 2005, the trade relationship clearly needed revamp with bilateral trade having reached a mere \$9.51 billion in 2014 which was nowhere near the goal of \$20 billion by 2015. The Druzbha-Dosti 2014 joint statement then set the target of attaining the trade level of \$30 billion by 2025.

Trading Partners

The balance of trade remains in favour of Russia and the deficit has risen two times in the last decade to reach \$3.1 billion in 2014. Russia mainly exports pearls and precious stones, machines, electronic equipment, fertilisers, photo and technical apparatus to India. Meanwhile, Indian exports consist of pharmaceuticals, electrical equipment, coffee, tea, apparels and pearls and precious stones. The energy sector saw a certain degree of forward movement in 2015, with an MoU signed regarding

exploration and production of hydrocarbons in Russia. Important agreements in the field of nuclear energy were finalised during 2014 and 2015 the construction of at least 12 nuclear power plants over the next two decades; “localization of manufacturing” for nuclear power plants; and supply of crude oil and helicopter engineering. In 2016, several deals in the hydrocarbon sector were also signed, the most important of which were a 23.9-percent stake in Vankorneft by Oil India Limited, OVL acquiring 11 percent more in Vankor oilfield and Rosneft buying a 49-percent stake in Essar Oil. The Rosneft acquisition of Essar at \$12.9 billion was the largest FDI in India in the sector. It was also Russia’s largest outbound deal. For India, Russia is the largest oil and gas investment destination, with a total of \$15 billion in cumulative investments. In 2016, Indian companies spent \$5.4 billion in acquiring oil and gas assets in Russia.

Russia was also added as a new source for long-term LNG imports and the first cargo of Russian LNG reached India at Dahej, Gujarat in June 2018. The bilateral trade saw a decline for the second year in a row, despite the directive of the 2014 statement that called for realising the potential of the economic ties.



True Ally

More than 70 years of the diplomatic relations between the two countries have been marked by a high degree of convergence on various bilateral and global matters. Asked if the ties have been enhanced as a result of the commemoration, the envoy said, "Yes, definitely, it reflects the growing Indo-Russian ties." Kudashev also said there are multiple issues facing both the countries, from threat of terrorism and drug menace to building a sustainable environment, and promoting regional cooperation, especially for a larger Eurasia, On Kudankulam power plant, the envoy said, "It is a successful project. We are awaiting approval from the government of India for our second plant, so that we can continue our contribution to the energy needs of India." Asked what aspect of bilateral ties connect the two countries the most, Kudashev said, "People-to-people ties." The Russian envoy also said, "Our trade is growing 20 pc every year. And, 8,000 students across the country (Russia) are studying in various universities."

While economic cooperation has been the weakest link in the bilateral relations, bilateral mechanisms such as the annual summit has led to a positive development in this sphere of engagement. Russian Foreign Minister Sergey Lavrov cited official statistics demonstrating 20 per cent growth in Russian-Indian trade in 2017. India's participation as a guest country in St Petersburg International Economic Forum (SPIEF) in 2017 has manifested stronger economic cooperation between the two countries. India and Russia are the only partners to have inter-governmental commissions taking stock of the progress of bilateral cooperation especially in the economic sphere. The India-Russia Inter-Governmental Commission on Technical & Economic Cooperation (IRIGC-TEC), for instance, is a standing body that annually meets and reviews ongoing activities of bilateral cooperation in the fields of trade and investment, science and technology, culture and other issues of mutual interest. To further expand the domain of economic cooperation, Eurasian integrity, regional cooperation, free trade agreements, connectivity and trade corridors have gained utmost

importance in the annual bilateral summits. The International North South Transport Corridor and the Eurasian Economic Union, for instance, have emerged as immediate priority areas for strong economic cooperation between the two countries. The Russian Far-East is another region for potential economic engagement. India's presence in the Eastern Economic Forum (EEF) is focused for developing an "energy bridge" including trade, commerce, and investment, railway infrastructure, steel plants, defence, space, ports and shipping. A key focus area could be exploring the prospects of attracting an agricultural workforce in the region, given India's huge potential record in the agricultural sector. India, for instance, has been host to one of the largest farmers' emigration to Canada, which too has a bleak climate such as the Russian Far-East. India is progressing towards strengthening its foothold in the Indo-Pacific region through a strategic partnership with the US, but the economic engagement with Russia in the region will further enhance its geo-economic interests overall.

Defence co-operation

Meanwhile, India-Russia defence deal has achieved new capacities through acquisitions and joint development of weapons and military equipment, which include the induction of INS Vikramaditya, the launching of own IAC- INS Arihant and the successful development of BrahMos supersonic cruise missile to name a few. In the 17th Annual Bilateral Summit 2016, India and Russia agreed to construct four frigates under Project 11356, one is to be built in Russia and three in India. A tri joint venture, established between Rosoboron export, Russian Helicopters and HAL, to manufacture 200 Kamov Ka-226T light utility helicopters for the Indian Army. Of these, 60 would be manufactured in Russia and the balance in India. Purchase of the S-400 Triumph air defence missile system was also agreed during this summit. The upcoming summit is expected to see the finalisation of the S-400 anti-missile deal — despite the US' displeasure towards India which has been committed to go ahead with the deal with Russia. The finalising of the S-400 missile defence system agreement between India and Russia comes under the purview of the sanctions as Almaz-Antey Air and Space Defence Corporation, which makes the S-400 missile defence system face sanctions under the Act. In fact, during the 2+2 talks between India and the US held in September 2018, one of the key points on the agenda of discussions was the likely impact of CAATSA sanctions on India's military modernisation process 69 per cent of its defence purchases are from Russia. Apart from India's large dependence on Russia's state-of-the-art weapons systems, India's predictable resistance to external pressures, especially the US, is based on two core factors Its strategic autonomy is being challenged and Russia's rebirth as a military power in recent times is conducive to India's interests and domestic initiatives such as the Make in India project.

Organizations

In recent times, an important highlight of the bilateral summits has been the advocacy of multi-polarity. Both India and Russia are part of non-Western organisations such as SCO and BRICS which has gained geopolitical significance in recent years. Both India and Russia, along with other member states, strive towards the establishment of a bloc free geopolitical architecture.

Through annual bilateral summits, the two countries have expressed their readiness to continue consultations and coordination in multi-polar global fora, such as the G-20, EAS and BRICS.

Alongside, the strengthening of soft power quotient has gained prominence in the bilateral talks between India and Russia.

Conclusion

More than seventy years of diplomatic relations between Russia and India, the partnership between the two countries has blossomed both at the bilateral and global level, economical, trade, cultural etc. However, in recent times, given the realities of the dynamism of international affairs, the progress of the partnership is not moving along as smoothly as desired. Some factors that have become a cause of concern in the partnership are the growing proximity between India and the US and Russia's rapprochement with China and Pakistan in particular. In 2017, India agreed to provide an annual grant of \$10,000 to fund the study of "Indology" at the Centre for Regional and International Studies at Far-East Federal University. During this 19th Annual Summit, President Putin and Modi will participate in a Russian-Indian business forum and meet with students of Russia's Sirius educational centre and a group of talented Indian children. The visit's agenda also includes the Russian president's meeting with President of India Ram Nath Kovind the interests and concerns of both India and Russia have nevertheless moved further towards a more "shared diversified" ones. But, despite the hiccups in relations, both Russia and India have maintained a durable partnership for decades, and share a long history, their relations being based on goodwill and friendship. So, both India and Russia will have to proceed very delicately while pursuing their individual foreign policy interests without "rocking the boat" and undermining each other's grand strategy and national interests. The upcoming 19th Annual Bilateral Summit is therefore an important mechanism to assist both India and Russia to continue to invest in the partnership. In 2010, marking a decade of the 'Declaration on Strategic Partnership' between the two countries, the joint statement proclaimed that the relationship had reached "the level of a special and privileged strategic partnership." The process of re-establishing the multi-dimensional relationship has been long; it has also had to contend with the geo-political and geo-economic shifts both at the regional and global levels. This has required the two countries to overcome the old romanticism of the Indo-Soviet ties and engage at a pragmatic level. Today there is no denying the mutual trust and friendship that exists between the two countries. However, the divergences in the goals of the two nations have sharpened in recent times fuelled by both bilateral and international factors and have the potential to deeply impact the future of Indo-Russia relationship.

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