

ISAS Brief

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Russian Premier Viktor Zubkov in India: Reinvigorating Relations

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Within three months of Indian Prime Minister Manmohan Singh's state visit to Russia, his Russian counterpart, Prime Minister Viktor Zubkov, visited New Delhi for three days from 12 to 14 February 2008. The purpose was to deepen and expand multifaceted bilateral cooperation between the two countries, particularly in the areas of defence, energy and trade.

Defence has been the strongest sector of bilateral engagement between the two countries where India receives almost 70 percent of its critical requirements from Russia. There have been, of late, irritants on issues related to the transfer of technology, supply of spare parts, and the costs and time scales of equipment and their upgrading. These irritants include the spilled-over into public of the issue of the supply of the 44,570-ton upgraded aircraft carrier Admiral Greshkov – Russia was not only unable to meet the delivery deadline of August 2008 but it also asked for a increased cost of US\$1.2 billion. India's navy chief publicly criticised Russia for this late last year. As in the case of SU30 Sukhoi fighter aircrafts, the Russians plea for cost escalation has been that they had grossly underestimated these costs while signing the agreements and due to the fund crunch, there is no way they could underwrite the added costs. There are reports that Russia is resorting to price escalation and delays in delivery of critical weapon systems to show its displeasure against India's growing strategic proximity towards and defence acquisitions from the United States. Some of these issues were sorted out during Zubkov's visit. Prime Minister Singh, after an "extremely productive and comprehensive discussion on all aspects of our relationship", said, "We reaffirmed our commitment to build our defence relations which is an important pillar of our Strategic Partnership". Mutually agreed cost escalation level has been worked out and Russia has also agreed to look into the question of technology transfers to manufacturing of the T-90s main-battle tanks.

Energy cooperation between India and Russia has two components – civil nuclear energy and the hydrocarbons. The highlight of the visit was the signing of an Inter-Governmental Agreement for the construction of additional four nuclear plants in Kudankulam in South India. The memorandum of intent for these plants was signed in January 2007 during Russian President Vladimir Putin's visit to India but the follow-up agreement could not be initialed

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during Prime Minister Singh's visit in November 2007. This agreement cannot be executed until the Nuclear Suppliers' Group (NSG) removes sanctions imposed on India after 1998 which will happen only after India's agreement with the International Atomic Energy Agency (IAEA) related to Indo-US civil nuclear deal. Accordingly, India was hesitant in initialing this agreement in November 2007. India thought this could unnecessarily offend the United States and the western members of the NSG.

On its part, Russia has been keen to get the issue clinched as it wants to establish its presence in India to compete for the potential civil nuclear market of US\$40 billion. Dr Leonid Bolshov, Head of the Russian Academy of Sciences' Institute for Safe Atomic Energy, was quoted in the media to have said, "First come, first served....To be sure, US Westinghouse and France's Areva will eventually come to India because it is a vast market. Meanwhile Russia is expanding its presence on the Indian nuclear energy market, thereby is also improving its competitive edge on other markets". Russia, of course, has significant experience in building commercial nuclear reactors. It is already building two light water reactors in Kudankulam as the agreement for that was concluded by India before the 1998-sanctions were imposed. According to Russian journalist Vladimir Radyuhin, while the reactors under construction are of VVER-1000 type, the additional four to be built will be VVER-1200 type, an advanced version of the former. India has relented on the issue in the interest of the overall relationship with Russia. Possibly, the recent round of talks with the IAEA makes India more confident of concluding the deal. India's agreement with Russia and recently obtained assurances from France, according to analysts, may also put some pressure on those NSG members who are still reluctant to endorse the Indo-US deal.

Russia has a great advantage as a producer of hydrocarbon energy. India's experience of collaboration with Russia in Sakhalin-I oil and gas fields has been very satisfying. Russia's prime minister was very "positive and sympathetic" towards India's desire to have major stakes in Sakhalin-III and other oil and gas projects in Russia. India is also pleading with Russian oil and gas companies to invest in India and conceive of joint projects with Indian companies in third countries. Negotiations in this respect have already been initiated between the companies of the two countries.

The real bottleneck in Indo-Russian relations has been in the area of trade and investments. The Indo-Russian trade stood at an abysmal level of US\$1 billion a few years ago. It has grown to little more than US\$4 billion now. This is pathetic in view of the fact that both India and Russia belong to the fastest growing BRIC (Brazil, Russia, India and China) group of countries. The two sides have now agreed to work towards a target of US\$10 billion by 2010. The economic and trade relations between the two countries since the beginning of the 1990s have been marred by many procedural and institutional impediments. They include ineffective payments system, credit risks, insurance cover, Russian ban on imports of farm products like tea, rubber and tobacco, registration of pharma products, expensive East Caribbean Group of Companies coverage, etc. If these impediments are removed, the Federation of Indian Chamber of Commerce and Industry estimates that trade can reach US\$20 billion by 2015. While the Russian side has shown interest in India's oil, gas, mining, technology, transport and energy sectors, the Indian side has pleaded for the inclusion of services, transport, investments and high technology in the trade basket. A joint task force of the two countries is exploring the possibility of a Comprehensive Economic Cooperation Agreement between them.

While focusing on the substantive aspects of the relationship, Premier Zubkov's visit also enabled the two sides to rejuvenate people-to-people contacts between the two countries. The Russian guest inaugurated the celebrations of the "Year of Russia in India" where impressive glimpses of the cultural diversity of the two countries were on display. These celebrations will have a year-long spread and, then in 2009, a similar "Year of India in Russia" will be launched. In order to bridge the information gap between the two peoples, Zubkov also launched a Russian Information Centre in India in the presence of his Indian host. He said on the occasion, "At the negotiations yesterday (with the Indian Prime Minister), we have noted repeatedly that our two societies are not getting enough information on each others' life, and the present customary mode of getting news from each other does not correspond with the rhythm of rapid developments of our two nations."

It is hoped that, with this visit, the two countries have removed the mutual irritations and disinterest that marred their relations over the past few years. It cannot be otherwise because basically there has never been any clash of interest or source of conflict between the two countries. Imperatives of the Cold War led them to develop a pragmatic, interest (not ideology)-based mutually advantageous engagement with each other. The end of the Cold War and the disintegration of the Soviet empire prompted Russia to gravitate towards the United States and Europe in search of democracy and economic prosperity. It lost interest in the rest of the world, including Asia and India. However, as the strategic dimensions of a unipolar world started impinging on Russia, it tried to look for other options. Thanks to its swelling oil wealth and President Putin's resolve to follow a strategy of "innovative modernisation of Russia by 2020", Russia is seeking a place and role of respect in the arena of global power politics. India has always found a strong Russia in the overall interest of a multipolar world and its own strategic interests in Asia.

The Indo-Russian relations for the past 60 years have been shaped by their respective relations with the other two global players, the United States and China. As the Cold War suspicions creep back into the United States-Russia relations and, as the inherent sense of unease persists underneath the tactically cozy Russian-Chinese relations, the warming up in Indo-Russian relations may continue to gather momentum. Russia may be unhappy with the growing strategic proximity between India and the United States but it knows well that this is not aimed at hurting the Russian interests. Russia owes upon itself to provide space for India to retain and reinforce its strategic autonomy in a fast changing world. Russia's efforts to bring India into a triangular relationship with itself and China were rationalised in the name of evolving a multi-polar world, but no less was it a reflection of Russia's own need for a stable balance in Asia and the under current of the sense of unease toward a rising, and demographically expanding (into Russian territory) China.

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